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THE CRISIS OF SOCIAL DEVELOPMENT: CHALLENGES  
AND POSSIBILITIES \*/

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## Introduction

The countries of Latin America and the Caribbean are currently experiencing the most profound and prolonged crisis of the last fifty years. The prompt reaction of a number of them to the difficult situation of 1981-1982 raised hopes that an economic recovery would be forthcoming. Unfortunately, the developments of recent years have shown that such expectations were groundless; it is now generally recognized that major changes and a serious and sustained effort will be required to put the region back on the path of development. The bitter medicine of recessionary adjustment did not cure the patient since the expected recovery of the world economy did not materialize. New solutions must therefore be tried as a number of countries in the region have been doing.

The studies undertaken of the crisis have revealed its great complexity: in addition to the economic, social and political problems inherited from previous decades and made worse by the crisis, there are the devastating effects of the contraction of external trade and financing, the challenges of the technological revolution underway in the industrialized countries, and the growing popular demands for greater well-being spurred on by the processes of democratization.

This situation requires considerable effort to understand the way in which the crisis is felt in different national situations and the best way for each country to overcome it. This document does not claim to provide conclusive arguments. It seeks, rather, to outline some ideas about social development, as a contribution to the debate on the future of Latin America and the Caribbean.

It is divided into two sections. The first presents in broad outline the changes that took place during the postwar period up to the end of the 1970s, the economic and social progress made during those years, and some of the reasons why that progress proved insufficient. From a social point of view, these reasons are associated with the continued inequality of income distribution and with the extent of absolute poverty and underemployment. In turn, the causes of these situations are sought in the structure and functioning of the economies and the societies of the region so as to highlight the fact that these are only the most visible manifestation of other more deep-rooted problems and that their definitive solution will require strategies to combat the latter.

The second section outlines some aspects of the strategies which could usefully be applied. From the economic point of view, it reviews the approach to recessionary adjustment, points to its limitations and the need to implement expansionary adjustment measures with a view to reconciling the demands of macroeconomic equilibrium, particularly in the external sector, with the need for growth. These expansionary adjustment measures should, in turn, be combined with two other basic elements: modernization of the technical and productive infrastructure, a prerequisite for any sustained development, and, measures aimed at better co-ordination of the productive infrastructure and at improving the employment, production, productivity and income levels of the disadvantaged groups in the society. The latter element is of crucial importance for economic growth and for the equitable

distribution of its benefits. Thus, it provides the economic underpinning of the social dimension of the strategy, which in turn has a twofold objective. It must first support efforts towards technological modernization, in which education has a decisive role to play; in order to be genuine, this modernization must be based on a profound socio-cultural transformation which would favour the development of creativity and would highlight the need to respond innovatively to changes in technology and production methods. Secondly, it should directly improve the living standards of the disadvantaged social groups, particularly of those which have been most affected by the crisis because they lacked the resources to defend themselves. Of particular importance in this regard are nutrition, health and education policies aimed at ensuring that poverty is not carried over to new generations, and measures aimed at satisfying the basic needs of the disadvantaged and at integrating them into the mainstream of society.

The final part of the document makes reference to some of the socio-political aspects of the strategy. Strategies usually focus on an examination of the technical aspects of policy measures and do not pay the necessary attention to the social agents and to the political and institutional mechanisms which, in the final analysis, are crucial to their success.

In this regard, three principal ideas must be highlighted. Firstly, in view of the considerable effort required for the implementation of the strategy, the majority support of the population is necessary; consequently, the content of the strategy and the manner of its implementation must stimulate and consolidate this support. Secondly, the State must play a decisive role in the elaboration and implementation of the strategy and should therefore become the social nucleus that most faithfully reflects the organized action of the society. Thirdly, the role of the State in the development strategy should not be conceived in a technocratic or authoritarian manner, as an imposition on the society of the dictates of enlightened minorities, but rather as the expression of a democratic institutionality.

These three ideas refer to aspects of reality which are not to be found in existing societies and, to a large extent, must be created. An organized society which lends support to the strategy, a well-articulated and efficient State which acts as its principal executing agent, and prevailing democratic institutions, are requirements whose importance cannot be underestimated. A number of crucial questions may be asked concerning these ideas. To what extent have the often endemic conflicts generated by the type of development and the tremendous gaps between social groups, with their sequels of mistrust and resentment, diminished the possibility of organized action by the society? To what extent has the social fabric been destroyed, the behaviour of social groups perverted, as reflected in the sectoral and speculative attitudes of some groups, and the effectiveness and legitimacy of the State undermined?

## I. THE SITUATION IN THE PERIOD 1950-1980 AND THE IMPACT OF THE CRISIS

### A. PRINCIPAL CHANGES IN THE PERIOD 1950-1980

#### 1. Economic changes 1/

The extent of the macroeconomic and sectoral changes is clear evidence of the profound changes which occurred in the countries of the region during this period.

Total output increased fivefold in thirty years and output per capita more than doubled (see figure 1). Investment levels were very high in some countries and this brought with it significant changes in productivity and technology; the industrial plant in the region underwent significant expansion and diversification, enabling local production to meet almost all the demand for consumer goods and an increasing proportion of the demand for basic intermediate and capital goods, and to promote, particularly after the 1970s, an increasing diversification of exports with the inclusion of manufactured goods. At the same time, through improved marketing systems and the development of agroindustry, agriculture was transformed with the introduction of modern production methods and improvements in its organization and in the marketing of goods. Infrastructure was also considerably expanded, particularly in the transport, communications and energy sectors.

The output of manufactured goods increased sevenfold, with its share of total output increasing from 17% in the 1950-1952 period to 24% in the 1979-1980 period. This increase meant that steel production, which is a reflection of industrial activity, increased from 1.4 to 29 million tons. Moreover, a number of countries managed to achieve scales and efficiencies of production, which enabled them to compete in international markets. Together with the production of cement, which increased tenfold during the period in question, steel production provided the basis for an expansion in physical infrastructure and the foundations of a metalmechanics industry. The car manufacturing industry, whose production had been insignificant in 1950, produced more than 2 million units in 1980. The production of machinery and equipment increased to substantial levels in some countries and was able to satisfy a substantial portion of requirements which had been previously imported. Also, beginning in the 1970s, there was a considerable expansion in the branches of the chemical industry, although with notable differences among countries.

In 1980 the production of electric energy was fourteen times the 1950 level and per capita consumption was 30% more than the average on the European

continent in 1950 and twice that of Japan for that same year. Mention should also be made of the increase in oil production which several countries of the region achieved in a few years, the execution of major engineering works and the development of large areas of land for agricultural production.

No less spectacular was the change at the institutional level. In 1950, the hacienda in most countries was one of the symbols of the system, and the family business and artisanry were the norms in industry; planning and development agencies had just been incorporated into the public sector, the banking system remained underdeveloped and, generally speaking, the same was true of the financial markets. Thirty years later, the region had modern enterprises, particularly public ones, which handled both plants and business turnovers on a scale comparable with that of the major companies in the developed countries. The traditional foreign company that exploited natural resources had been replaced to a large extent by the transnational corporation and in many cases by State-owned companies. In the agricultural and livestock sector, modern enterprises had emerged which took full advantage of the technical and infrastructural services created by the government and established links with external markets and with the most dynamic sectors of the internal markets. The 1970s also witnessed the development of a financial market which was closely linked to the transnational financial system and which ended up playing a key role in the functioning of economies.

Finally, it should be noted that during this period the role of governments expanded considerably. In the economic field policies relating to industrialization, agriculture, road systems and energy, were elaborated; macroeconomic policies were pursued which mobilized considerable volumes of internal and external resources; reforms were introduced in the tax, agrarian and tariff systems; public enterprises were established and expanded without which it would have been difficult if not impossible to achieve changes in the system of production. The actions of private national producers were supported and complemented by the public sector. And so, in thirty years, institutional changes acquired a coherent qualitative dimension with material changes reflected in the fivefold increase in the gross domestic product.

## 2. Social changes

In addition to the economic changes mentioned above, the occupational structures of the countries in the region underwent far-reaching changes during the decades under consideration.<sup>2/</sup> At different times, varying speeds, and with varying degrees of success, almost all the countries advanced in the transition from agrarian societies to urban-industrial societies, following the general process that has been referred to as "social modernization".<sup>3/</sup>

By 1980, some countries had still not completed the first phase of this transition; in others, which had undergone modernization earlier, the cycle was already in its final phase of deceleration and was approaching completion.

Rapid, though uneven, changes took place in the socio-occupational structures of most of the remaining Latin American societies (see table 1). Here, the expansion of the State apparatus, the increasing capitalization of economic relations, and the increasing educational opportunities available to

new generations, were associated with the absolute and relative growth of occupational sectors with higher levels of productivity and income in the secondary and tertiary sectors, at first, mainly in manual occupations and subsequently in non-manual areas.

This occupational change had, inter alia, an important effect in that it promoted structural mobility in the society, a fundamental aspect of the social changes that occurred during this period.

The process of social modernization also includes a demographic transition during which the high fertility and mortality rates typical of a poor rural society were reduced --the decrease in the mortality rate occurring before the decrease in fertility rates-- until both reached low and relatively stable levels in the advanced stage of the development of urban-industrial societies. With the exception of those countries which had achieved modernization earlier on, in which these indicators had attained low levels several decades ago, the countries of the region have only in the 1960s and 1970s experienced a drop in fertility rates from high and very high levels. Since the infant mortality rates also decreased rapidly during this period, the working-age population which had continued to rise steadily, reached its maximum historical growth rates in recent years and will maintain or increase those levels during the next decade or two in the newly modernizing countries (see table 2).

The great challenge of social modernization is to win the race against population growth by creating high productivity jobs at a rate faster than that of the increase in the economically active population in general, and among the active workers in the most disadvantaged occupational strata in particular. In order to achieve this transition towards a modern society and reduce the relative burden of the disadvantaged classes, through their progressive incorporation into the society, it is necessary to absorb the youths and adults from these classes --particularly agricultural workers-- faster than their rate of natural increase, through education and employment in the modern sector. In those countries where rapid transition has taken place recently, the economically active population attained its maximum growth rate in the years immediately preceding the crisis, thus placing tremendous pressure on the capacity to create productive employment. Growth and rapid occupational transition only partly succeeded in relieving this pressure, although the degree of success varied from country to country. For example, the countries newly in transition were unable to significantly improve the average income level of their populations and their populations of working age maintained or accelerated their high growth rate, which will attain its maximum levels over the next few years.

Censuses clearly reveal that changes in the occupational structure followed a pattern of upward mobility (see table 1). The relative size of the low productivity sectors and occupations decreased while the more productive and modern sectors were also, in general terms, the most dynamic with respect to the creation of jobs.

Four important aspects of this structural transformation need to be highlighted: a) in almost all the countries the relative size of the lowest stratum (manual agricultural workers and peasants) decreased; b) the number of

workers in areas of personal service increased slightly, tending to stabilize at around 12% of the economically active population; c) the great majority of countries recorded a relatively significant growth in the numbers of manual workers, but above all there was rapid growth in the strata of non-manual workers with higher average incomes.

It should be noted that in those countries in which the economically active population grew at a faster rate there were also absolute increases in better qualified and higher income occupational groups. Moreover, increasing structural mobility clearly shows an inverse relationship to the stage reached in the transition towards social and occupational modernity, since it was generally stronger in those countries that were in the initial stages or in the midst of the transition to modernization, and less marked in those countries in which the cycle of transition was about to be completed and was slowing down.

It is probable that in societies with rapid structural change, some members of a high proportion of families may have been affected by the phenomenon of upward mobility during the decades under consideration. Indeed, if the mobility of young people in 1980, in relation to the generation of 1960, is taken together with the structural mobility experienced by the latter generation throughout its life, it can be concluded that mobility has reached significant levels in families in those countries just beginning to modernize and in those in the midst of a sustained transitional phase.

Finally, mention must be made of the key role played by education as a vehicle for social mobility between older and younger generations or age groups (see table 3). In all the countries of the region, the proportion of active young adults with post-primary education increased sharply in the decades under consideration, doubling in all cases and tripling in some. An important effect on the job market of the expansion of education in those countries in the first phase of transition was the abandonment of manual agricultural labour and the search for employment as semi-skilled urban workers. In those countries in mid-transition, this effect was combined with the greater access to non-manual posts achieved through post-primary education. The increase in educational levels also continued in those countries in which the transition was almost completed, both in respect of wage-earning manual workers and self-employed persons and of non-manual categories; the higher qualification requirements of more modern jobs led to the search for more education by various social groups, which hoped thereby to obtain higher income levels.

In summary, particularly in those countries with higher economic growth, many social groups managed to improve their situation, although the relative distribution of income and power was not changed; the social structure was being transformed both vertically and horizontally by the changes inherent in the transition from a rural to an urban society, which enabled these groups to feel that they were participants in an upward movement, or to hope at least that the social situation of their children would be improved.

## B. UNEVENNESS OF SOCIAL DEVELOPMENT

The gains achieved by the economic and social processes during the postwar period should not obscure the failures of those processes. From the social point of view, with which this document is concerned, a number of problems stand out which could not be solved in the region even in the years of greatest economic growth. While these problems did not affect all countries equally seriously, as the following analyses show, their widespread nature and, above all, their intractability drew attention even in those years and they were referred to in various reports of ECLAC. The combination of successes and failures highlighted the contrasts of the process and caused a feeling of ambivalence among those who sought to evaluate it in an unbiased manner.

The most acute social problems include the unequal distribution of income; the large number of people living in conditions of absolute poverty; and the large numbers that remained unemployed or, above all, underemployed.

### 1. Unequal distribution of income

As is known, income in the majority of countries of the region has been concentrated within a very small section of the population. In this respect there are considerable differences between countries, with the concentration of income being generally greater in countries with low levels of production per capita.<sup>4/</sup>

However, it has also been clearly established <sup>5/</sup> that, at least up to the middle of the 1970s, the considerable economic development achieved in the region was not accompanied by a reduction in the inequality of income distribution, but on the contrary by an increase in the concentration of income in terms of regional averages (see table 4).

During the 1950s and 1960s it was hoped that, upon completion of the first phases of the development process, the combination of high rates of economic growth and major advances in education, together with changes in the occupational structure --from one in which low-income jobs predominated to one with jobs that require more training-- would lead to a reversal of the tendency towards concentration of income, and to a sustained process of improvement in income distribution. Such a reversal of the trend did begin to be witnessed in various countries and at different times during the last decade, although in other countries income was further concentrated during the same period. For Latin America in general, however, this improvement did not go as far and was not as marked as had been expected: the poorest 40% of the population increased its share of total income by only 0.6% between 1970 and 1975, while the share of the richest 10% was only reduced from 48.0% to 47.3%.

In other words, the improvement that took place during the first half of the 1970s was so slight that income distribution did not even regain the already very uneven patterns of the 1960s, when the poorest 20% of households received barely 2.8% of total income, and the poorest 70% received less than 28%. While all income groups increased their average incomes in the

fifteen-year period from 1960 to 1975, the richest benefited much more from the overall increase. The richest 10% of households increased their annual average incomes by almost US\$ 4 700 to reach a total of more than US\$ 15 800 per household; the poorest 20% had a net increase of only US\$ 60 per household, which took them up to an average of less than US\$ 400 per annum in 1975.

This limited redistribution was the result not only of the change in the occupation structure, but also of the emergence and consolidation of social movements which pressured governments to secure wage increases and the application of policies of income redistribution. However, another negative trend which could be observed throughout these years should not be forgotten either: the poorest majority of the population generally had a very low level of participation in the cycles of growth and bore a much greater burden during phases of lesser growth or of concentration of income;<sup>6/</sup> a large number of people at the bottom of the social pyramid were in a very precarious position from which it was very easy to sink into extreme poverty if economic growth slowed down or income became more concentrated. Generally speaking, the slight fluctuations in the income pyramid did not alter the latter's inequality nor did it lead to a stable participation in the fruits of development for the most disadvantaged majority of the population.

## 2. Extent and spread of poverty

In stark contrast to the achievements and changes brought about by the process of development in the region, in 1970 there were roughly 112 million chronically undernourished people, many of them illiterate, living in rural shanty towns or in urban slums, virtually without access to medical services and to other important social services. In other words, almost 40% of the population of Latin America lived in conditions of absolute poverty unable to satisfy their basic needs. The majority, 65 million people, lived in rural areas and accounted for 58% of the total poor and 56% of the rural population (see table 5).<sup>7/</sup>

Ten years later, it is estimated that the number of poor people increased to 130 million although, in relative terms, their percentage of the total population dropped to 37%.<sup>8/</sup> There was a significant shift in the areas where the poor lived; the number of people living in urban areas increased from 47 million in 1970 to 64 million in 1980, and the proportion of the total number of poor people living in urban areas increased from 42% to 49% between 1970 and 1980.<sup>9/</sup> In the rural areas, the absolute number of poor people increased by only one million during those ten years; nevertheless, in view of the low rate of increase of the rural population, estimated to be an average of 1% per annum, the proportion of the poor in rural areas continued to represent more than 50% of the rural population in 1980.<sup>10/</sup>

A comparison between the changes in poverty and economic performance between 1970 and 1980 shows that most of the countries of the region maintained high rates of economic growth; the gross domestic product per capita rose during those years to an average of 3.4% per annum.<sup>11/</sup> However, the percentage of poor people was reduced by only 3% during that period and their absolute numbers increased by about 18 million. This development serves

to confirm that the benefits of the economic growth achieved during this period were not correspondingly reflected in a reduction in poverty.

Regional averages, however, conceal considerable differences in national averages. If countries are grouped according to the relative scale of poverty in the population as a whole, three groups may be distinguished: those countries with less than 10% of their population below the poverty line; those in which this proportion varies between 16 and 26%; and finally, the remaining countries with the highest level of poverty, varying between 37% and 65% of the total population (see table 5).

In this latter group of countries, poverty is mainly concentrated in the rural areas and its pattern is closely associated with the increase in the number of minifundios. According to PREALC estimates, in 1980 65% of the population involved in agriculture was engaged in the peasant economy, which constituted the refuge of the labour force displaced by mechanization from agricultural enterprises.

Also, it must not be forgotten that the differences between urban and rural areas do not fully reflect the scale of the disparities in income, poverty and standards of living of the population in different regions of the same country. Many studies, particularly those referred to as "maps of poverty", have shown that economic growth has not led to significant reductions in the inequalities between regions.

### 3. Persistence of underemployment

ECLAC has always paid particular attention to problems of employment, to the extent that the productive absorption of the labour force is, in its view, the clearest manifestation of economic development. The developments in the region in this respect over the three decades preceding the current crisis is therefore a central theme in the evaluation of the development process in the region. While there were sharp differences between countries, this period witnessed the apparent paradox of a considerable increase in the capacity to absorb the labour force in modern non-agricultural sectors taking place at the same time that underemployment persisted or declined very slowly.<sup>12/</sup>

During the long period of development from 1950 to 1980, modern non-agricultural employment in the region --referred to as formal urban employment in the terminology of PREALC-- increased at a high annual average rate of 4.1%, a rate which exceeded the growth rate of the economically active population not engaged in agriculture (4.0%) and the growth rate of the economically active population as a whole (2.5%). Despite this, towards the end of the 1970s, about two fifths of the labour force in the region was underemployed, either in the informal urban sector (19.4%) or in activities in the traditional agricultural sector (18.9%) (see table 6).

A number of elements were involved in the slow decline in unemployment and underemployment or in the persistence of these trends in the region. The interaction of these elements explains the varied results of the absorption in the modern sectors of the economy and the evolution of underemployment in the different groups of countries. Special mention should be made of one group of

countries (Brazil, Colombia, Costa Rica, Mexico, Panama, Venezuela) where, during this period, there was rapid absorption of the labour force into modern sectors --with higher levels of productivity and incomes--, together with a slow but substantial reduction in underemployment, and countries where there was a slower absorption into those sectors together with the persistence of high underemployment rates (Bolivia, Ecuador, El Salvador, Guatemala, Peru).

Finally, the trend in Argentina, Chile and Uruguay, in this respect, was different from that in the above two groups since these were countries that had advanced much earlier than the rest of the region in the process of transfer of manpower to modern sectors, and countries which, at the same time, had rates of growth of the total economically active population not engaged in agriculture that were significantly lower than the rest of Latin America. In these countries, the problem of underemployment is centered in the urban areas, and its growth between 1950 and 1980 took place from levels that were much lower than those of the other countries, attaining in 1980 a figure of less than 30% of the labour force.

There are, however, general factors which explain the problem of the persistence of unemployment and underemployment and which, in most of the countries of the region, acted as a brake to a more dynamic absorption of the labour force into modern sectors of the economy, despite the fact that comparatively speaking, employment in modern non-agricultural sectors in the region grew at rates that were not lower than those that had been recorded in countries which are today developed. On the one hand, the change in the occupational structure took place in the region within the framework of a dramatic increase in the non-agricultural labour force, brought about by migration from rural to urban areas, by increases in the rate of participation in the economy and by the natural increase in the urban population itself. This placed tremendous pressure from the side of the supply of manpower, particularly in those countries which began their demographic transition at a later stage. On the other hand, it should not be forgotten that by 1950 approximately 70% of the urban labour force in the region was engaged in modern non-agricultural activities. As a result, even with growth rates slightly higher than the rate of increase of the economically active urban population, growth in employment in the modern urban sector was not as great in absolute terms as the increase in the total urban working population. In other words, despite the rapid creation of employment in modern sectors, the process was insufficient to absorb all of the severe pressure of the urban supply of labour.

To a large extent, this relative insufficiency explains the development of informal activities in which the majority of the urban underemployed were engaged. Between 1950 and 1980, the percentage of the total labour force in the region engaged in informal activities increased from 13.5% to 19.4%.

The pattern of underemployment reflects the net effect of two opposing trends, the first more far-reaching than the second: the relative decrease in underemployment in the agricultural sector and the growth in urban underemployment. Consequently, total underemployment in the region fell from 46.1% to 38.3% between 1950 and 1980. In 1980, more than half of the underemployed were already concentrated in the informal urban sector.

In general terms, the trends observed in the region over the last three decades may be described as follows. In transferring labour to more productive activities, the region does not seem to have diverged in general from the patterns experienced by countries which are today developed. However, there are three elements which characterize the countries of the region. First, the greater pressure of the urban labour supply. Second, the relative inability of the modern sectors to fully absorb it, which leads to the growth of informal employment. Third, the slow pace at which employment in traditional agricultural activities is being reduced. These factors explain why, after 30 years of rapid absorption, significant underemployment still exists.

Finally, it must be remembered that the evolution of employment has not been a continuous process in the region in the period under consideration. The three factors just mentioned have developed differently in time. Total population growth and the growth in the urban population in particular gradually accelerated and reached its peak rate towards the end of the 1960s. However, in a significant number of countries this peak was attained in the 1970s, and the average annual rate exceeded 3%. With a lag of somewhat more than a decade, during the 1970s and 1980s, the growth rate of the labour force was to approach 3% per annum and in the urban areas was to exceed 4% annually. On various occasions, therefore, ECLAC drew attention to the challenge to create employment in the 1970s and 1980s. The figures for the decade of the 1970s show that the problem of employment, and more particularly forms of underemployment, persisted, if it did not worsen, despite the economic growth recorded in some countries.

#### 4. Some causes of the ambivalence

The problems posed by the economic and social processes in the countries of the region, briefly touched upon in the preceding pages, have given rise to varying interpretations that seek to identify the factors that explain them. These interpretations have usually had both a theoretical and a practical objective; indeed, a proper appreciation of these processes would make it possible not only to understand them better but also to develop strategies which would go beyond the superficial aspects and tackle the root causes of these problems.

In ECLAC, the most serious interpretations have sought to elucidate the causes for this type of development in the region, whereby technical progress and its benefits tend to be concentrated in certain regions, productive sectors and social groups, so that more heterogeneous and inequitable structures are established than those in the developed countries. In the latter technological advances were vigorously and extensively propagated, thus giving rise to more homogeneous and equitable structures, while in the countries of the region, the most dynamic sectors, both the primary exporting sector and the industrial sector, did not have a similar pull capacity. That is why these countries can have high rates of economic growth while structural heterogeneity persists and the social problems of unequal distribution of income and the persistence of high levels of poverty and underemployment cannot be resolved.

The causes of this type of concentrated development are extremely varied and the degree of their impact naturally varies in accordance with national situations and the particular moment in time. Among the causes of domestic origin, the importance has been emphasized of the use of capital intensive technologies that are ill-adapted to existing resources, and of the considerable increase in the labour force caused by the population growth; both causes have had an unfavourable impact on the productive absorption of the labour force and, consequently, on the dissemination of technological progress and the benefits that flow from it.

Another key idea in this respect concerns the unequal distribution of power within the social groups, a pattern which would have far-reaching consequences. This inequality, which takes the form, in particular, of ownership of the means of production and the capacity to determine economic policy through control of the State apparatus, has been considered a decisive factor in explaining the inequitable distribution of income.

This inequality of income distribution, in turn, determines to a large extent the pace and the direction of economic development since it determines effective demand. Indeed, those in whose favour wealth is distributed create an effective demand chiefly aimed at imitating the patterns of consumption of the developed countries, which are inappropriate in countries with a much lower level of income. The nature of this demand influences the taking of economic decisions (what to produce, by whom, how, etc.) which determine the productive structure and, through its effect on imports, the overall composition of the supply of goods and services. Moreover, the unequal distribution of income leads to its inefficient use, which affects the rate of reproductive accumulation and hence the rate of increase of average incomes and of the productive absorption of the labour force.

In this interpretation, which is particularly thought-provoking from a sociological point of view, social inequality is not viewed as a static phenomenon concerned merely with the distribution of income; on the contrary, it is a dynamic factor which has helped to shape the economic structure and to determine its orientation, thus creating the conditions for its own reproduction.

An examination of the historical development of the countries of the region in the postwar period reveals the uneasy coexistence of two opposing trends. On the one hand, the trend towards the concentration of wealth, rooted in internal economic, social and political inequalities, which seek to maintain this inequality through the very changes that take place. This pressure is exercised through a diverse range of formal and informal procedures and mechanisms by those social groups that occupy a predominant position in the unequal structure. On the other hand are the tendencies that promote technological progress and its benefits. Particular attention should be paid to the more spontaneous of these tendencies, arising from the changes which the impetus of economic development itself gives to demand, to the structure of the labour force and to its productivity and income levels. In addition to these spontaneous trends, which exist in varying degrees in the countries of the region, there are more deliberate trends which have been promoted, particularly within the State apparatus, by social movements and

groups which seek to reverse the trends towards concentration and to achieve thereby a more equitable distribution of the fruits of development.

The opposition between these two trends, towards the concentration of wealth on the one hand and towards greater homogenization and democratization on the other, explain to a large extent the contrasts in the development picture of the region; they also lie at the root of most of the conflicts that have taken place in the region.

This digression on some of the factors which explain the unevenness and contrasts in the development of the region has no claims to being an original theory. It only seeks to point out that the social problems exemplified by the distribution of income, poverty and underemployment are the most visible manifestations of deep-seated root causes, and that a permanent solution to those problems will only be possible if their root causes are addressed.

### C. THE CRISIS OF THE 1980s: SELECTED INDICATORS

#### 1. The evolution of economic indicators

It is possible to appreciate the scale of the crisis from the evolution of aggregate economic indicators after 1981. From this year onwards a decline occurred in the sustained rate of growth which gross domestic product had maintained for almost four decades (see figure 2). The annual rate declined from 5.3% in 1980 to 0.5% in 1981, and was negative in the next two years. During the 1982-1983 biennium, domestic product fell in absolute terms, something which had never occurred in the forty previous years.<sup>13/</sup> As from 1984 the domestic product of the countries of the region as a whole tended to recover, and grew at an average rate of 3% per year. However, these regional figures must be handled with caution, since they are influenced by the behaviour of the Brazilian economy, whose gross domestic product accounts for approximately one-third of the region's total product, and in the 1985-1986 period grew at an annual rate of 8%. If Brazil is excluded, the region's global product in 1986 was barely 2% higher than in 1980. During the same period, Brazilian product increased by approximately 18% (see table 7).

An even more striking image of the crisis is provided by the evolution of per capita domestic product between 1980 and 1986, a period during which the population of Latin America and the Caribbean increased by more than 50 million, rising from 355 million to 406 million. During these six years per capita domestic product fell by around 8% and was equal to the level which the region had attained in 1977 (see table 8). Moreover, this unsatisfactory trend was extremely widespread: in three out of the nineteen countries, the indicator fell by more than 20%; in ten countries it declined by between 10 and 20%, and only in Brazil, Colombia, Cuba and Panama was per capita product higher in 1986 than in 1980. Since net payments of profit and interest abroad increased sharply during this period and the terms of trade also worsened, the decline in per capita national income --which provides a better indicator than gross product of the population's average standard of living-- was even sharper. For the region as a whole per capita national income was 14% lower in 1986 than in 1980, and in value terms can only be compared to 1976. The crisis

dragged back the population's average income to levels it had reached a decade previously (see figure 1).

The impact of the downturn in economic activity was particularly strong on capital formation. While capital formation had grown dynamically during the 1970s at an average annual rate of 7.3%, it declined at a rate of 4.5% in the last six years and in 1986 was 25% lower than it had been in 1980. Consequently, not only has the crisis affected present standards of living, but it has also jeopardized the possibility of future growth and improvement in the population's standards of living. The seriousness of this is even more apparent if it is taken into account that the permanent lack of domestic savings to finance investment in the economies of the region is compounded by external restrictions resulting from the dwindling inflow of external savings and the need to devote an extremely high proportion of resources to amortization and interest payments on the huge external debt which has been built up.

As could be foreseen, in view of the high rate of growth of the labour force in most of the countries of the region, the shrinkage in economic activity went hand in hand with an increase in rates of open unemployment and a rise in the various forms of underemployment (see table 9). All of these factors were aggravated by a very considerable deterioration in real remunerations. In addition, in spite of the increase in unemployment and the drop in wages, the rate of price increases rose in most of the countries of Latin America and the Caribbean during the crisis. In the region as a whole, the average annual rate of consumer price increases (weighted by the population) rose from 56.1% in 1980 to a maximum of 275.3% in 1985, and then fell to 69.1% in 1986 (see table 10). The intensification of inflation during the first five years of the 1980s was doubtless one of the discouraging domestic features which most contributed to the deterioration in real wages, whose nominal increases remained far below the increase in prices in the majority of countries.

All of these discouraging trends in the evolution of domestic variables --particularly until 1983 when the lowest point in the recessive cycle was reached-- were closely linked with the disappointing trends in the external sector "which were most apparent in the deterioration in the terms of trade, the striking fall in imports, the draining away of international reserves, the frequent and sometimes enormous rises in the exchange rates and, above all, the overwhelming weight of the servicing of the external debt, which forced most of the countries in the region to renegotiate their commitments with the international private banks and with their official creditors".<sup>14/</sup>

The region's swollen debt, the result of the rapid increase recorded in loans until the middle of 1982, together with high rates of interest charged since the beginning of the present decade, is the factor which most jeopardizes the future development of Latin America and the Caribbean. The debt rose from less than US\$ 100 billion at the end of 1976 to over 330 billion at the end of 1982 (see table 11). Private creditors represented a growing proportion of the debt, whose financing was marked by floating rates of interest and relatively short repayment periods. This brought about an explosive increase in debt servicing, which, nevertheless, failed to lighten the burden of the total disbursed external debt, which continued to grow

--although at a lower rate-- until 1986, when it represented approximately US\$ 382 billion. One indicator alone gives an idea of the burden which debt payment constitutes for the region in terms of resources: the amount of interest payments due thereon, which in 1978 absorbed approximately 15% of the foreign currency earned by Latin America and the Caribbean from its exports of goods and services, rose to between 35% and 40% between 1982 and 1985 (see table 12). Moreover, the debtor countries have been obliged to sign partial and repeated rescheduling agreements on the maturities, signifying that the debt capital continues to grow, in spite of the net negative transfer of resources taking place at the present time (see table 13).<sup>15/</sup>

## 2. The impact of the crisis on the labour market

The crisis had three basic effects on the labour market, all of which had a negative, direct and pronounced impact on the population's standard of living, leading to an even greater deterioration in the living standards of the lowest-income sectors. First of all, the rate of job creation slumped. Secondly, changes took place in the type of employment created and, finally, wages fell.<sup>16/</sup> Between 1980 and 1985 non-agricultural employment grew at a cumulative annual rate of 3.3% signifying a shrinkage of approximately 20% in the number of jobs created annually with respect to the trend in the past (see table 14). The growth was insufficient to absorb the new members of the labour force who enter the market each year, and led to an increase in open unemployment. Consequently, during the period, the number of unemployed rose at a cumulative annual rate of 8%, signifying an expansion of approximately 48% in the number of unemployed between 1980 and 1985.<sup>17/</sup> While in 1980, urban unemployment in the region had been 7.8%, it rose to 11.9% (simple average for 17 countries) in 1985 (see table 9). The rise in unemployment mainly occurred during the first three of these five years, and coincided with the downturn in economic activity. Between 1980 and 1983 the number of unemployed grew by more than 50%. From this year onwards, the number of unemployed ceased to rise but neither was there any significant decline in unemployment. Between 1983 and 1985 the rate of unemployment fell by only half a percentage point. In other words, the trend in open unemployment between 1980 and 1986 would seem to indicate that it is more sensitive to the downward phase of the economic cycle than to expansion or recovery. This fact gives reason for concern since, in present circumstances, the mere restoration of the historical growth rates of economies will not alone suffice to bring unemployment down to its pre-crisis levels, which were already high.

The second consequence of the crisis concerns the changes in the structure of employment, which reflect an increase in the proportion of jobs characterized by the greatest degree of underutilization of labour. Data on nine countries in the region <sup>18/</sup> reveals three trends in this direction: informalization, tertiarization and an increase in employment in the public sector. The most noteworthy consequence of the deterioration was felt in the rapid expansion of employment in the informal urban sector. This sector grew at a cumulative annual rate of 6.8% between 1980 and 1985, signifying a 39% expansion of the informal sector during the period. While in 1980 the sector had constituted 26% of non-agricultural employment, it rose to 30.7% of employment in 1985.<sup>19/</sup> The growth rate of informal employment was 80% higher than that recorded during the thirty years prior to the crisis, a fact which

indicates the scale of the change involved. Consequently, these recent trends indicate a break with those of the past and a worsening of the employment situation mainly affecting the lowest-income sectors of the population. The trend has moreover, been accentuated by the behaviour of private-sector employment, which not only created less formal jobs during the period, but also tended to concentrate job creation in small-scale firms marked by lower levels of productivity and income than large enterprises.

The third consequence of the crisis on the labour market was the widespread deterioration in wages. The evolution in all the wage indicators available for the 1980-1985 period indicates falls of between 12% and 18% in the variations between extreme years (see table 15). A number of factors account for this behaviour. First among these is the high and increasing rate of inflation which brought down real wages. Secondly, the increase in unemployment and of employment in low productivity sectors weaken the bargaining power of organized wage-earners and led to a wearing down of real wages. Last but not least is the fact that the shrinkage in real wages was one of the basic aims of the adjustment policies implemented in the majority of countries in the region. Moreover, it should be mentioned that the shrinkage in remunerations had a greater impact on workers in productive sectors characterized by lower average incomes. The decline was least pronounced (12%) in the most organized sectors of manufacturing industry, while minimum urban wages, as well as those in construction and agriculture fell by more than 15% over the same period.<sup>20/</sup>

In most countries the decline in real wages during the crisis surpassed the fall in per capita product and was greater in almost all sectors than the decline in gross per capita income. Together with other data, this would seem to suggest that the burden of readjustment was mainly borne by workers, particularly those with lower incomes, with a consequent deterioration in income distribution.

### 3. Some social consequences of the economic crisis

It has recently been pointed out <sup>21/</sup> that the social impact of the crisis in Latin America and the Caribbean has been of "kaleidoscopic diversity". The deep differences between countries prior to the crisis, the varying scales of impact of the debt, the divergent rates of dynamism or stagnation in production together with the various social consequences of the adjustment policies implemented in countries combined to bring about considerable divergences in the social indicators available for countries relating to the early years of the crisis. Many governments have made considerable efforts to adjust to the new circumstances, and a small number have managed to maintain the satisfactory evolution of levels of per capita income, income distribution, diminution of poverty as well as of indicators relating to health, education and nutrition, or to restore them, if there had been an interruption in the improvement.

As far as the vast majority of countries in the region were concerned, however, the available data, while of broken coverage and variable quality, clearly indicate, as a whole, that there has been a widespread deterioration in the social conditions of the population and in the social services provided

by governments. Expenditure on a variety of social services by central governments fell as a percentage of their total expenditure until 1984-1985, in comparison with 1980 in 14 of 19 countries, and rose in only five.<sup>22/</sup> It is possible to more clearly grasp the complex changes in social conditions by individualizing the various trends in terms of i) income distribution and proportion of the population living in poverty; ii) unemployment and underemployment; iii) health and nutrition; and iv) education.

a) Income distribution and poverty

Both the increase in unemployment and underemployment together with the fall in wages suggest, within an overall context of stagnation or decline in per capita product, that an inevitable consequence of the crisis will have been even greater inequality in income distribution and an increase in the proportion of the population living in poverty. Direct information on income distribution during the crisis is still extremely scanty and fragmentary, but on the basis of recent ECIAC research,<sup>23/</sup> it is possible to put forward a number of tentative approximations as to the scale and nature of these problems.

As table 16 shows, the data relating to the evolution of indicators during the 1977-1982 period reveal a heterogeneous situation: the incidence of absolute poverty fell in three out of five urban contexts, and increased in one of the two which provided urban and rural coverage. This partly reflects the earlier onset of the crisis in the last two cases, together with the persistence of the impact of the weak cycle of deconcentration prior to the crisis, already referred to in the others. Between 1982 and 1985, on the other hand, the already generalized impact of the crisis is more apparent: the incidence of poverty increased in four of the five urban context and in one of the two with urban-rural coverage. In 1985, the proportion of urban households below the poverty line varied between 11 and 41% of the total in different countries, while in those two countries which also include the rural population, the proportion was between 15 and 37%.

In urban areas, the impact of the crisis was clearly reflected in these indicators: in the four cases in which poverty increased, income concentration also rose, and coincided with falls in gross per capita domestic product in at least one of the years under consideration. In the case of Colombia, the deconcentration of urban income between 1979, 1982 and 1985 reveals, from another angle, that it has been one of the countries in the region least affected by the recession of the last five years (see table 8).

The most recent data available indicate that the low-income agricultural and rural sector has also experienced a net deterioration as a result of the crisis, and that this has contributed to an increase in poverty at the national and regional level. First of all, real agricultural wages in a total of 16 countries fell by an average of 10% between 1980 and 1983 and by a further 6% between 1983 and 1985.<sup>24/</sup> In contrast with this overall trend, it should be mentioned that in the two surveys which provide rural coverage there was no significant increase between 1983 and 1985 in the proportion of agricultural wage-earners living in poverty.<sup>25/</sup>

In the only recent survey available covering the whole of the rural population (the region of Los Andes, Venezuela) the proportion of own-account agricultural workers living in extreme poverty not only rose from 44% in 1978 to 58% in 1985, but this increase also cancelled out the opposite trend among wage-earners and brought about a net increase in the proportion of poor agricultural families in the total of poor families, which itself increased, partly as a result of the above.<sup>26/</sup>

A further case which illustrates a similar trend is that of Brazil, where, according to surveys providing general coverage,<sup>27/</sup> there was an increase in the concentration of income per household during the two years following the fall in per capita product, 1982 and 1983. Within this regressive movement, not only did the gap between the average urban income and the considerably lower average income of rural families widen, but in addition the distribution of income among the latter became even more unequal. The decline in relative terms which affected the poorest 40% of rural families was, consequently, one of the determining factors in the renewed concentration of national income, which was moreover more marked than that of urban income during these two years.<sup>28/</sup> It should be mentioned that this trend is likely to have improved as a result of the expansionary and redistributive policies implemented in Brazil during 1986.

Moreover, the apparent discrepancy between these indicators of increased rural poverty and the growth in the value of agricultural product disappears on examination of the new preliminary data set out in table 17. These confirm the considerable increase in the value of the region's agricultural product in 1983-1985, but also reveal a marked reversal of the long-standing trend towards a reduction in the growth of the agricultural population --and consequently, a downturn in the durable increase in its average productivity-- which coincides with the crisis. It would appear that the agricultural population has once again started to grow, as a result of what has been described as a slump in the creation of employment in cities,<sup>29/</sup> at similar or higher rates to the growth of agricultural product, thereby cancelling out its favourable impact in per capita terms, both in 1980-1983 and in 1983-1985. It should moreover be remembered that the category of "farmers" includes, in addition to the high proportion of poor peasants, entrepreneurs with capital. In the region of Los Andes, for example, 23% of the farmers interviewed belonged to the richest 40% of total rural and urban households in 1985.<sup>30/</sup> In contrast with the growth of the sector of poor peasants and agricultural labourers, agricultural entrepreneurs seem to have been inordinately successful in appropriating the benefits of the increase in agricultural production.

According to the 1982 and 1985 surveys, other sectors of employment which, together with peasants, were affected by the greatest increases in the proportion below the poverty line are: manual and service-sector wage-earners (in the three surveys which identified them); own-account workers with the same occupations (part of the "informal urban" sector) in two of the three surveys; salaried office workers and sales personnel (in three out of four cases); and own-account traders and carriers (in three out of three). In other words, it is possible to observe both the impact of the increase in "underemployment" in the informal sector as well as those of open unemployment, declines in wages and loss of trades-union bargaining power in

the formal sector, analysed in the previous section. The greater proportion of poor families among formal manual workers in comparison to informal workers, in three out of five surveys, is particularly striking, together with the fact that this proportion increased more among formal workers. Similarly, in the case of own-account traders and carriers the proportion of poor increased, but they represent a small part of the total in this occupational group in almost all the surveys. The majority of this group belongs to the upper half of families on the basis of per capita income in 1985.<sup>31/</sup> These contrasts suggest that a considerable proportion of the increase in poverty during the crisis is the result of wage restraint and unemployment, and that own-account manual workers and traders cannot be considered as a homogeneous whole characterized by underemployment, although this feature has become increasingly significant within this group as a consequence of the crisis.

The same information reveals, moreover, that real income corresponding to the characteristic occupations of the urban middle classes (the professions, technicians, and administrative workers) fell during the crisis. This is clearly apparent from the decline in their share of the highest 40% of the population's income and the corresponding increase in their share of the middle 20% of income.<sup>32/</sup>

#### b) Health and nutrition

According to data provided by the Inter-American Development Bank (IDB) and the Pan-American Health Organization (PAHO),<sup>33/</sup> between 1980 and 1984 per capita expenditure on health by the central governments rose in only nine out of 23 countries in the region. This overall trend has also been pinpointed in a study made by the United Nations Children's Fund (UNICEF) which reveals that this type of expenditure increased in four out of 16 countries between 1979 and 1983, and fell in twelve.<sup>34/</sup> According to the same source, the cutbacks in expenditure on education and health were sharper than those in total government expenditure in a considerable number of the countries examined, while in others it was rather more protected. In several countries, expenditure on health and education declined extremely sharply.

In a number of countries, policies and programmes attending the needs of the most vulnerable groups (occasionally, to the detriment of slightly less poor ones) successfully avoided reversals, for example, in the historical reduction in the rates of infant mortality. In others, however, the declining historical trend ceased, and this key indicator remained stable during the crisis or even rose.<sup>35/</sup>

The evolution of nutrition indicators was extremely complex; the currency crisis severely restricted imports of food, and this shrinkage was only partly offset by the growth of domestic production, a consequence of which was a drop in the food available per person in 13 out of 17 countries in recent years (see table 18). In the case of the four countries which recorded slight improvements, one of them has still not recovered the average level of sufficiency attained at the beginning of the 1970s. As a whole, six countries do not possess sufficient supply to even meet average minimum requirements, while in all of those whose indexes are over 100, large proportions of the population do not satisfy their minimum calorie requirements. Moreover, in

many countries the fall in household income, together with the rises in prices resulting from the shrinkage in food subsidies (frequently imposed as a condition by international credit institutions), made it even more difficult to satisfy food requirements, with the exception of those of the highest income sectors. In Mexico, the available data indicate that the middle class altered its diet so as to include a greater proportion of cheap food, while the urban poor had to actually reduce their consumption of nutrients. In Brazil, the frequency of anemia among the children of poor families seems to have increased in 1985 in comparison with 1973-1974.<sup>36/</sup> In Chile, the amount of milk distributed in school programmes fell, and in 1983 represented 74% of the amount distributed in 1981 <sup>37/</sup> while the country's budget for school meals in general remained low between 1982 and 1985 in comparison with the peaks attained in previous years.<sup>38/</sup> In Guatemala, the per capita supply of nutrients progressively declined and in 1985 fell to 92.7% of its 1981 level in so far as calories are concerned, 91.2% in the case of proteins and 87.9% in the case of fats.<sup>39/</sup>

In a number of countries, there seems to have been an overall improvement in the health and food situation in recent years. However, the most disquieting feature of the deterioration is the worsening of the food and health situation of the poorest sectors, a situation which appears to persist as a result of the increase in inequality in access to goods and services meeting these basic needs.

#### c) Education

The information available on expenditure on education as a percentage of the central government budget and of gross product, indicates a marked per capita decline in real terms during the initial years of the crisis (see table 19). In 12 out of 18 countries in the region, government per capita expenditure on education declined in real terms between 1980 and 1984. In four out of six countries in which average expenditure rose (with the exceptions of Panama and Venezuela), it began with very low levels (US\$ 25 per head or less) in 1980.

This prevailing trend is confirmed by data provided by the UNICEF study already mentioned, relating to the same period, which also indicates that the shrinkage in expenditure on education as a proportion of total public expenditure is more pronounced in Latin America than in other regions affected by the crisis.<sup>40/</sup>

A further phenomenon, which is just as serious as the fall in resources and the probable deterioration in the quality of education thereby involved, is the increase in the number of dropouts from primary and secondary school detected in several countries (Chile, Costa Rica, Brazil).<sup>41/</sup> This phenomenon, which overwhelmingly affects the poorest sectors, is clearly linked to the impossibility for these families to meet the cost of school and the vital importance of the economic contribution of minors for the survival of the whole family. This latter feature is reflected in the increases in the rates of economic activity among children and young people of school age.<sup>42/</sup> The increases in the number of dropouts are a source of particular concern in view

of educational objectives and the educational requirements involved in adjusting to the technological changes taking place in the world economy.

#### D. THE SHORT- AND MEDIUM-TERM OUTLOOK

The crisis of the 1980s has been to some extent the last manifestation of a deferred social crisis. An important aspect of the crisis is the loss of viability of a logical aspiration for the satisfaction of demands based largely on mobility of a structural origin, on expansion and diversification of consumption, and on economic growth to meet all the corporative pressures, instead of settling the conflicts, inherent in each stage of the transition towards modernity, between capital and labour, and between privileged strata and exploited or excluded groups.

##### 1. The capacity of the economies to absorb the growing labour force productively

In 1986, in contrast to previous years, several Latin American and Caribbean economies showed signs of recovery. Nonetheless, in most of the countries in which the product appreciably increased, its rise merely represented a partial recovery of the levels that had been already reached before the crisis.<sup>43/</sup> What is more, in more than half of the countries of the region the per capita product fell in 1986, in some cases for the sixth year in a row.

The favourable performance of some of the large and medium-sized economies during 1986 is, then, a positive fact and shows that there is a capacity for recovery if external constraints are eased. It would be premature, however, to conclude that a dynamic and sustained recovery has begun, and that the crisis has been surmounted.

On the contrary, the outlook for the economies of the region remains uncertain. In 1986 the foreign debt continued to grow (at a higher rate than in 1985) while the terms of trade continued to deteriorate (see tables 7 and 11). The total interest paid by the region as a percentage of exports seems to have stabilized at around 35% in the last three years, and it is thought that it will not fall below that level in the coming years. Similarly, during 1986 the region continued its negative net transfer of resources, this time in the amount of over US\$ 22 billion (see table 13). Investment, for its part, continues at levels which are far below those of the period prior to the crisis.

As regards external prospects, and as will be shown later on, there are clear indications that the fall in commodity prices and their very low present level reflect far-reaching structural changes in world demand. Moreover, it is unlikely that international interest rates will continue to fall in the immediate future. Finally, there is evident resistance to the reduction of protectionism in the central countries.

At this stage, the objective conditions of the world economy, the conditions of debt payment, and the constraints imposed on the economic

policies of the debtor countries by international financial institutions, are beginning to indicate severely restricting parameters for the evolution of the Latin American and Caribbean economies and societies. If these conditions do not change, a development style might arise, undesired and unsought by the peoples and governments of the region, which would not be able to meet the challenge of the striking growth of populations of school and working age (see table 2), which calls for the creation of places for study and productive work (see table 20 and figure 3). The most optimistic scenarios of economic growth for 1987-1990 rest on assumptions that are unlikely to be all fulfilled (e.g., rapid growth in the central countries, reduction of protectionism, improvements in the terms of trade, low interest rates, a greater supply of credit, etc.). Even accepting these optimistic assumptions it is estimated that, if basic conditions remain unchanged, the per capita gross domestic product of the region may grow by only 3.5% per year from now to 1990.<sup>44/</sup> Given that economic growth no longer seems to have the same positive effect on job creation as in past decades, it is estimated that productive employment will increase by less than 0.5% per year, while the labour force in the region might grow, on average, by 2.8% per year. These facts point to the clear and decisive conclusion that "growth alone will not suffice to surmount the employment problem" <sup>45/</sup> without radical changes in government policies in this field.

In these circumstances, the unemployment and underemployment existing in 1980 will have been intensified in 1990 by around 32 million persons more. With the present patterns of production and distribution, an increase is forecast not only in the proportion of underemployed persons and those living in a state of poverty, but also in the seriousness of their relative and absolute privations.

Hence there can only be an improvement in the rates of production and productive job creation, and a further reduction in the high rates of accumulated underemployment and poverty, aggravated in recent years, if the basic conditions prevailing today can be changed.

## 2. The dilemmas of social mobility

The projections of the crisis and of its social consequences support the hypothesis of the existence of a crisis of the social systems in the region, in the sense that it is impossible to restore a social rationale of development identical to that which prevailed from the postwar period up to the end of the 1970s. The challenge that faces the region is indeed immense: with fewer resources than in the past it has to grapple with problems which, apart from having changed in magnitude, have also undergone a change in quality. The current processes, economic, social, demographic and cultural, constitute in their interaction a new dynamic of structural change, which in turn generates new tensions and contradictions.

As already indicated, over several decades there was a growing implicit expectation, not analysed or questioned by large sectors of the population, of the possibility of occupational mobility for the coming generations. It is probable that this expectation, irrespective of conjunctural fluctuations, will continue to influence the hopes of families for many more years. If this

is so, the present conditions could be aggravating a twofold "deficit of mobility"; one being objective, expressed in a downward social mobility which has already occurred and which is measurable in terms of the structural growth of jobs of lower quality, an increase in poverty and income concentration; the other, subjective, in terms of the frustrated hopes of a future mobility similar in its tempo to that which prevailed for two or more generations until the very recent past. The slowdown in the creation of new productive jobs, apart from its well documented adverse impact on unemployment and underemployment, is having negative effects on upward mobility in the sense that the new jobs, in proportions much greater than in the past, are inferior in income and in social prestige.

In particular, there has been a pronounced reversal of the long declining trend in the growth of the economically active population engaged in agriculture in the years before the crisis, which reached annual rates equal or superior to those of the non-agricultural employed population in the period 1983-1985. This, together with the poor performance of per capita output in the sector in these years, has profound repercussions on structural mobility. Although no definite conclusions can be drawn from provisional data covering so short a period, if this new trend persists it could signify the breakdown of the most important channel of upward mobility during the period before the crisis: the transition from agricultural employment to occupations of an urban type, with relatively higher average incomes and prestige.

This proportionately faster growth of low-quality jobs in recent years has meant a brusque reversal of the historic transformation of the productive structure, in which there was a progressive increase in the proportion of jobs of a medium and high level. At present, on the contrary, there is a downward social mobility for the young generations entering the labour force today of around 20% in only five years in some cases,<sup>46/</sup> in comparison with the generations of their fathers and elder brothers; a phenomenon unknown before the crisis.

At the same time, the striking fall in medium and minimum wages in different sectors of activity signifies a similar retrocession in the other mechanism for the social legitimation of the style before the crisis, the expansion of consumption for growing proportions of the lower social strata. It will be difficult to restore this process at the rate pertaining before the crisis unless notable changes occur in the rates of economic growth, and in the rules of the game regarding distribution of the future benefits of development and investment allocation.

The crisis of the social system, consisting in this double breakdown of the social rationale which contributed to the viability of the style in force before the crisis, poses a set of new socio-political problems in the region, in addition to the economic problems. As will be shown later on, a more favourable socioeconomic evolution will depend, in the first place, on the countries' achieving a greater international presence in the spheres in which decisions are adopted concerning the debt and trade (which assumes governments with strong popular support and concerted action at the regional level) and on new economic "motors" of industrialization and export. Second, it will depend on the discovery of more effective ways of increasing employment and labour productivity in the marginated sectors and on new rules of the game regarding

distribution. Additionally, there will be a need for the creation of new forms of satisfaction, material and non-material (such as participation, equity, nationalism, etc.) which will partly replace social mobility and the expansion of consumption as supports for the legitimacy of the development models. Otherwise, it is foreseeable that political instability and social disorganization will increase in the form of anomie, delinquency, and anti-social behaviour, particularly among young adults in countries in which these rapidly growing cohorts encounter serious barriers to their access to secondary and higher education, productive employment and upward occupational mobility.<sup>47/</sup>

## II. OUTLINES OF STRATEGY IN FACE OF THE CRISIS

### A. ECONOMIC STRATEGY: SOME DIMENSIONS 48/

#### 1. Recessionary adjustment

The initial response to the crisis of most of the countries of the region was to adopt forms of adjustment mainly aimed at reducing the deficit on the balance-of-payments current account, which, as mentioned above, represented 35% of their exports in 1981-1982. The policies applied succeeded in drastically reducing this deficit, but at the cost of a marked fall in investment, economic growth and employment.

These policies, described as "recessionary adjustment", assumed that the main cause of macroeconomic imbalances lay in excessive demand, which would create not only disequilibrium in the balance of payments but also an increase in inflation and a distortion of relative prices in favour of non-tradeable goods. Consequently, the basic thrust of these policies was aimed at attacking this excess demand by reducing the fiscal deficit, applying a restrictive monetary policy and exercising control over wages, together with currency devaluation designed in particular to restructure domestic prices in favour of tradeable goods.

The enormous economic, social and political cost of these policies, which was stressed in earlier pages, could not be sustained for long, and in fact they were always conceived as transitory; a sort of bitter medicine that had to be taken in order to prepare the way for making better use of the recovery of the world economy, which, it was assumed, would take place in the short run. As this recovery did not occur to the extent desired --both because of the limited growth of the developed countries and its reduced "pulling" capacity-- the supposed benefits of recessionary adjustment were called into question. The recession caused by the fall in domestic demand was much more radical and prolonged than had been expected; the effects of the adjustment were magnified by the rise in interest rates and the lack of domestic credit,49/ and were aggravated by the persistence of the adverse conditions of international trade; devaluation frequently increased inflation through raising the relative prices of tradeable goods; and, finally, the speed with which the attempt to carry out the adjustment was made did not allow the productive structure to adapt itself to it. Hence the adjustment turned out to be excessively recessionary, exaggerated, inefficient and prolonged.

## 2. Expansionary adjustment

The criticisms levelled at the approach described above and the negative results of its application quickly weakened its theoretical and practical prestige and stimulated the search for new political options capable of combining the attainment of macroeconomic equilibria with growth.<sup>50/</sup> Outstanding among these options is the variously designated "expansionary adjustment", "adjustment with growth" or "structural adjustment", whose chief aim is to stimulate the production of tradeable goods, especially exportable goods, in order to put a permanent end to the stubborn external bottleneck. This approach is based on the criterion that adjustment policies, which should be clearly differentiated from stabilization policies, do not need to be recessionary. Indeed, their success does not depend on reducing demand but on redirecting it towards non-tradeable goods, while steering investment towards the production of tradeable goods. In a first phase, idle capital and labour should be employed in producing exportable goods; the use of this capacity would stimulate economic activity and give time for production to be reoriented in the desired direction. This would call for specific and selective measures that would foster (through the exchange-rate policy, subsidies, incentives, tariff surcharges, etc.) those activities that were able to respond on a larger scale and with more efficacy, speed and continuity to the key objectives of expansionary adjustment.

The approval that this policy approach enjoys is based on the fact that its recommendations seek to provide a structural response to the problem of external imbalance, whose negative effects on the countries of the region have been exacerbated by the current crisis. It is true that its aim is to solve a very serious problem. Nevertheless, this is not the only problem that deserves attention. Hence, if it were rigidly applied it might overshadow other aspects of the development strategy that should not be overlooked. Concern for solving the external imbalance should form part of every development strategy; in each national situation, however, the economic, social and political objectives, problems and resources, along with the prospects of the world economy, will indicate if this should occupy a dominant place or if, on the contrary, it should be subordinated and adjusted to other elements of the global strategy.

## 3. Technological modernization

In this connection, recent years have witnessed an increase in concern for the impact on the region of the changes that are taking place in the international scene, which tend to globalize the economic system, centralize power, revolutionize technology, and establish new relations between the financial and productive sectors.<sup>51/</sup>

Particularly noteworthy among these are the technological changes that have stimulated both the growth of the world supply of foodstuffs and the increasing decline of raw materials as components of the total cost of industrial products. This has caused a drop in the prices and demand for primary products, and therefore in their terms of trade, which gradually depresses these activities, both at the national level (in the developed countries) and world-wide. This process confirms the old and controversial thesis of the disparity of elasticities of demand for imports of primary and

industrial goods as a basic cause of external imbalance, and underscores the need to escape from the dead-end strategies which are centred on primary commodity exports.

These changes are accompanied by those that reduce the costs of the labour factor. In effect, the automation of production is widening the gap between the growth of production and that of manual labour, giving great importance to knowledge, information, and capital, and reducing that of labour. Cheap labour will increasingly lose importance as an element in the competitiveness of the countries of the region in world markets.

These processes, among others, highlight the fact that the countries of the region should make an enormous effort to achieve technological modernization in order to increase their international competitiveness and change their form of insertion in the world economy. Indeed, any long-term solution to the external imbalance in particular, and to development in general, must be based on this modernization.

Technological modernization is founded, in its turn, on a set of conditions of various types. Outstanding among the socio-cultural conditions is the creative capacity, directed especially towards the discovery and expansion of those areas of economic activity which are best fitted to meet the needs of development.<sup>52/</sup> Genuine modernization is that which gives value to local resources, initiating processes of domestic innovation functional to the needs and potentialities of each country; in contrast, spurious modernization is expressed only through the superficial imitation of imported behaviour patterns which do not increase the national capacity for creation. The invigoration of the creative capacity thus oriented can only be achieved if systematic training of the population is introduced through educational institutions and the information media, and if permanent efforts are made to establish the most rewarding links between domestic and external demands and opportunities, on the one hand, and existing and potential national capacities, on the other.

The development of local technological capacity, thus understood, has always been the nucleus of a genuine process of development and consequently should be a major item in every long-term strategy. This is the basis of the measures aimed at surmounting the external imbalance; thus conceived, both elements of the strategy are mutually compatible. Indeed, given the trends already indicated in the international scene, any appropriate insertion into international markets should be based on a techno-productive process of modernization that will enable the countries of the area to abandon the role of exporters of raw materials which they still fulfill.

Similarly, these objectives redefine other important aspects of the strategy, some of which have been the subject of persistent controversy, such as the supposed alternatives of State and market, import substitution and export promotion, and others, to which some reference will be made later on.

#### 4. Articulation of production and distributive equity

Nevertheless, the combination of the approaches based on technological modernization and on adjustment with growth may still leave out some dimensions relating to the distribution of this modernization and its fruits.<sup>53/</sup>

As mentioned earlier, all the types of development that have existed in the countries of the region (outward-looking, inward-looking, and their variations) have followed a pattern of distribution which in general has been concentrative, despite the spontaneous mechanisms and deliberate efforts to the contrary. Historically, it might be argued that any form of development would seem to require the concentration of effort in specific activities or sectors; at all events, the measure of their success will depend on the "pulling" capacity of the activities which are in the van to carry the backward sectors with them at any given time. Success would thus be evaluated by the advances made in techno-productive assimilation and the distributive equity attained. In actual fact, the concentration of efforts in certain activities has generally been a direct result of policy decisions that concentrate resources and increase the relative prices of the goods and factors of the favoured sectors; in this respect, the strategies for technological modernization and expansionary adjustment are no exception. Their justification depends on their capacity to carry the rest along; otherwise there would be no legitimacy in the concentration that favours them, which is based on the effort of the whole community. At the same time, a concentration which does not have the hoped-for effects becomes not only an ethical problem but also an obstacle to development, since it does not stimulate the expansion of the domestic market and generates social tensions and political instability.

Given that the different types of development experienced by the region have not been generally capable of achieving complete success in the task of absorbing the labour force productively and distributing income equitably; that the crisis has greatly aggravated these problems; and that the technological trends in the developed countries indicate that labour is gradually losing importance in the organization of production: can it be expected that the combination of technological modernization and expansionary adjustment will lead to more homogeneous and equitable structures?

It seems unlikely that this will occur, and the process will probably have to be deliberately induced through policies essentially aimed at articulating the production structure and improving distributive equity.

Regarding the articulation of production, suffice it to point out the enormous advantage that would accrue from the linking up of agriculture, industry and services, in order to reduce the gap between country and city, and between large enterprises and medium-sized or small.

In relation to policies aimed at equity and designed to improve the situation of the marginated strata, emphasis is usually placed on the modification of the relative prices in favour of the peasant sector, the raising of real wages, the transfer of resources through fiscal policy, etc. These redistributive measures are important, especially for the short-term

improvement of the living conditions of those sectors that have suffered most from the crisis; they must be assessed with care, however, since their effects are ephemeral and often superficial, and do not affect the root causes of the concentration. Thus they should be considered rather as a complementary element in a set of policies aimed at diffusing technological modernization.

To achieve this diffusion economic policy and public resources must be reoriented towards the creation of productive employment and the raising of the productivity and income of the traditional agricultural sector and the urban informal sector. This orientation should be linked, in the case of agriculture, with decisions relating, among other aspects, to the use of appropriate technologies, the tenure of land and assistance with techniques, credit, and marketing; in the case of industry, with the already-mentioned articulation between enterprises of different sizes; and regarding services, with the raising of their productive level within the sector or their transfer to others of greater productivity. Public investment should perform a decisive role in these processes --since it may be assumed that private investment will automatically seek out the most profitable modern strata-- accompanied by the social expenditure of the State, which should pay special attention to the technical training of the marginated strata (reference is made to social policy later on).

In sum, if it seems likely that the more dynamic sectors will not have sufficient pulling power, policy measures should be applied for the specific purpose of improving the living conditions of the marginated groups and, above all, their levels of employment and productivity.

Respecting the relation of these policies with those of technological modification and expansionary adjustment, it is worth repeating what has already been said: namely, that they are not necessarily inconsistent and, on the contrary, may turn out to be mutually functional. Nonetheless, the greater or lesser emphasis placed on each element will give a particular bias to the strategy. This bias will be influenced, among other factors, by the values that guide the strategy and by the national circumstances.

In those cases in which the modern sector is not important within the productive structure, and therefore has little influence on the rest, it would seem appropriate to concentrate efforts directly on the marginated strata. Conversely, when the modern sector is significant and the marginated strata are not proportionately important, consideration might be given to a strategy centred on technological modification and expansionary adjustment, since it is probable that its spontaneous pulling mechanisms would be sufficient to achieve the desired objective. Even so, there are many national situations in the region which cannot be precisely characterized, or there exists (as in Brazil) an important modern productive sector alongside a considerable mass whose productivity and living conditions need to be raised. Hence the component of appraisal will always be crucial in the orientation of strategy.

#### 5. Capital accumulation

At all events, whatever this orientation may be, it should be based on a considerable effort at capital accumulation, which will have to be above all

domestic, since, as already said, the external sources of financing have been weakened. This accumulation calls for major transformations in the patterns of saving and consumption, in the organization of the national financial systems and in the social distribution of the costs and benefits of development. Indeed, past experience has revealed the increasing inefficiency of the conventional mechanisms of accumulation in the region, based on a regressive redistribution of income. Whether it is that the strata that lose by this distribution frustrate its aims; or that the strata favoured by it assign their income not to reproductive accumulation but to consumption, speculation or investment abroad; or that the crisis and the political conflicts discourage potential investors, it is undeniable that the rate of investment shows no signs of recovery. New ways must be sought to achieve it, since without this recovery any strategy will be a mere expression of wishful thinking.<sup>54/</sup>

This is a very complex subject which does not admit of simplistic solutions. It should be stressed, however, that the development strategy, including the challenge of accumulation, postulates efforts and changes of such magnitude that it can only be achieved if the governments can count on the majority support of the population; and this support will only be obtained if the strategy is socially equitable as regards the distribution of costs and benefits. Reference has already been made to the concept of equity that should orient the strategy; this applies to capital accumulation, which constitutes its material base. If all participate in it, it may be assumed that all will feel themselves an integral part of the process that this makes possible, thus providing the social cohesion that it requires. In this way, through an equitable orientation of capital accumulation and the distribution of its fruits, the economic strategy would make a decisive contribution to the founding of the social cohesion which the strategy itself requires in order to advance. It is clear that inequitable strategies destroy social cohesion, sowing the seeds of their own destruction. As will be indicated later in dealing with some socio-political topics, the crisis, and the inequity of the policies applied to combat it, especially at its inception, have sharpened social conflicts, resentment and mutual distrust among the social groups. In such circumstances it is essential to restore social solidarity, which cannot be conceived as the subproduct of a successful strategy of economic growth, but as the starting point of its attainment.

#### 6. The external front

This summarized version of some of the important economic elements of all strategies would not be complete without reference to the basic fact that their success largely depends on the occurrence of favourable changes in the international scene. As was stated by the countries of the region in the recent Declaration of the Latin American and Caribbean countries in Mexico,<sup>55/</sup> this implies the adoption, by agreement with the developed countries, of a set of measures designed to reduce the external vulnerability of the economies of the region. These include the solution of the foreign debt problem through a political dialogue between creditors and debtors, based on the principle of co-responsibility and the right to development; a reform of the international monetary and financial system designed to overcome the imbalances that it produces and to foster the flow of external finance towards the countries of

the region; and a reform of the international trading system in order to reverse the protectionist policies of the industrialized countries. The Declaration makes clear that the governments of the Latin American and Caribbean countries have already made an enormous effort, and that, to be able to continue it while responding to the varied domestic challenges and demands they have to meet, they need international co-operation in trade and finance. They also need to increase co-operation among themselves, reviving the integration efforts on new bases and joining forces to expand their bargaining power in international economic relations.

This summarized and simple enumeration of some of the main elements that should be considered in every economic strategy merely seeks to serve as an introduction to the social policy. They represent an indispensable reference in all social policy. This, however, does not mean that social policy should be subordinated to economic policy, a persistent tendency in public policies which is accentuated in times of crisis. The ideal orientation of an integrated approach should be that which considers both aspects as constituent parts of a set of activities which is conditioned by the main objectives of development, these being as economic growth, autonomy, social integration, equity in distribution and democratic participation.

#### B. THE FOUNDATIONS OF AN INTEGRATED STRATEGY TO ELIMINATE SOCIAL DEFICITS

Although action directed towards those groups whose lives are affected by various types of social exclusion is more fully developed, in this chapter, it should be pointed out that, just as economic action possesses several fundamental dimensions, such as modernization of technology and production, integration of the productive structure and equity in distribution, social policies must be developed in two main directions. The first of these involves the modernization and integration of all social groups into the processes of change and technological progress towards a relative homogenization of levels of productivity and income. The second lays stress on a set of measures designed to eliminate the most extreme forms of poverty and social exclusion. This aspect of the strategy is designed both to break the circuits by which poverty is reproduced among the new generations, and to achieve significant progress towards creating equal opportunities for those groups left behind and implementing measures to directly attack the causes of social exclusion and segmentation.

The strategy's starting point is its recognition of the considerable diversity of situations within the countries of the region. As the economic, social and cultural situations are manifold, national strategies must adapt themselves to the specific conditions in each country and to their changing circumstances. Moreover, there is already sufficient agreement as to the basic overall features which must characterize the region's own style of development in the future. Within this framework, the regional and social strategy put forward in this document has to be considered as a set of guidelines leading to the achievement of specific minimum social goals, and the actions set out therein are to provide a background for the formulation of national strategies and plans.

The social strategy presented here is based upon an approach aimed at achieving three central objectives by means of integrated and selected action: a) the elimination of poverty, which has taken on a new and more acute dimension since the crisis; b) the improvement of the productive and social conditions of the marginalized groups, as part of the effort to reduce social segmentation and achieve an equitable distribution of the benefits of future development and c) the incorporation into the socio-political processes, as fully active citizens, of those population groups essentially composed of the various categories of underprivileged, marginal and isolated strata which at present exist in Latin America and the Caribbean.

Such an approach demands complementary integration of economic and social policies; it is directly based upon the overall development strategy proposed by ECLAC, some of whose features were sketched out in previous pages. Moreover, a number of examples, which are to be found in several countries in the region, also help to provide an integral definition of social policies.56/

It should be stressed that education policies play a vital role in both of the social dimensions of the strategy. The close link between education and development is tied up with a complex social process in whose historical expression at least three fundamental features may be emphasized: a) the relationship with the values, attitudes and cultural patterns of society; b) the relationship with the process of strengthening civil society and specifically with its capacity to grant full citizenship to the great mass of the marginal and excluded population and c) the relationship with the requirements of a dynamic, modern and complex labour market.57/

As has already been pointed out, the development of a generally accepted set of social values which attaches importance to creative activity, cultural integration and the acquisition of technological skills is a basic feature of the process of modernization and integration of all the strata of society. Education plays a determining role in establishing links between civil society and the State, in training underprivileged strata to participate in decisions over those measures which affect their living conditions, in laying down minimum standards of solidarity and methods of social consultation which favour the national interest over private interest, with the aim of raising the standard of living of the population as a whole and avoiding social fragmentation. Finally, the link between education and work is of such complexity that it is not possible to examine it further here. However, it is quite clear that, in its simplest form, it involves providing human resources with sufficient educational training to adjust to the desired and foreseeable changes in production and passing on to the new generations the various expressions of the national cultural heritage as transmitted by the major codes of communication and knowledge, the historical heritage and forms of social organization and knowledge connected with specific local characteristics.58/

To sum up, as a result of the reduced leeway in terms of financial resources, the following concepts are becoming increasingly decisive to facilitate the overall strategy and specific social policies proposed in this document: creativity, autonomy, participation and consultation in the economic, social, political and cultural spheres of the countries of the region.

## 1. Some fundamental requirements for social policies

### a) Marginal groups: leading social actors and the object of policies

The strategic dimensions presented in the previous section lead to the necessity of establishing specific policies for certain priority groups living in particularly vulnerable circumstances. In order to avoid making the error of considering these groups as the passive objects of action undertaken by governmental and non-governmental institutions and to highlight the importance which, on the contrary, is given to the aim of ensuring that the groups themselves take part in the preparation, execution and evaluation of such action, particular importance is attached to describing them as "social actors and as the objects of policies".<sup>59/</sup>

Bearing in mind existing social segmentation, the social groups identified in the following paragraphs were pinpointed as deserving priority action.<sup>60/</sup>

The indigenous population. In those countries where this population exists --or that sector of the population set apart culturally by linguistic and cultural barriers (for example in the Caribbean countries). It is among these groups that on average the most adverse indicators are recorded, in fields ranging from infant mortality to monetary income, and in which the task of integrating the new generations proves most arduous, in view of the limited and inadequate nature of the social services provided to them.

The rural population. Most of this population lives in the least developed regions and countries. Notwithstanding the marked process of urbanization, it is estimated that towards 1985 40% of the population below the age of 5 lived in rural areas. Within this sector of the population there are acute deficiencies in food, health and education and it has so far been the victim of discrimination in the implementation of social policies.

The poor urban population in non-metropolitan areas. With few exceptions, its average family income is below that of families in similar circumstances who live in capitals and cities which are poles of development. In addition, the quantity and quality of the social service infrastructure in these areas is inferior to that of metropolitan areas, although in smaller cities the quality of services may improve as a result of community participation and greater devotion on the part of human resources. The implementation of dynamic job-creation policies and of policies to improve the quality of social services is a vital requirement for ensuring the social mobility of this population.

The poor urban population in metropolitan areas living in circumstances of long-standing marginality. In all major cities, including those in countries which achieved high rates of growth in employment in past decades, certain social sectors were unable to enter the process of social mobility. For reasons of either limited linguistic knowledge, illiteracy and cultural marginality or for lack of minimum job training, sectors of adults have emerged which are ill-adapted to taking part in regular work, and which, through their families, reproduce a situation of permanent marginality in the

new generations. In order to integrate the new generations of these groups into society it is necessary to adopt a set of specific policies to provide attention during the stages of reproduction and cultural training of children and young people, in addition to household care.

Female-headed families. In each of the above categories, those families whose head is a woman are the poorest and most likely to reproduce poverty and exclusion from one generation to the next. This group of families is growing rapidly both in rural and urban societies and in spite of the fact that it has been identified as being of high risk, government policies to protect it are either inexistent or extremely limited in their scope.

b) The outline of the strategy

#### Mechanisms for linking social policies

It is possible to design many policy options or combinations to cover all of those aspects which seem relevant, and it is consequently fundamental to decide upon the emphases and priorities which are considered desirable and viable. Two aspects are of particular importance in designing social policies. One of these is time and the other concerns the co-ordination of policies between State institutions and the organizations belonging to civil society. The mechanisms used to define the time scale will necessarily distinguish between the short term on the one hand and the medium and long term on the other.

The short term mainly concerns the circumstances associated with the particular stage which a given country has reached in its adjustment to the crisis. Within the short term, emergency policies will predominate, particularly food policies, the setting up of more complete care for the most vulnerable sectors of the population or social groups and emergency employment programmes. As will be seen later, in so far as possible, short-term policies should be designed in co-ordination with medium and long-term measures. In this manner, emergency policies will cease to merely provide assistance and will become elements of integrated long-term policies.

From the angle of State action in the area of social policy, one of the most common shortcomings in the countries of the region is the lack of integration in the formulation and in the implementation of social policies. In almost all countries it will be necessary to take steps to overcome the deficiencies reflected in, for example, sectoral fragmentation, relations of clientage and the propensity to accumulate disjointed horizontal priorities, as these produce rigidities which make it impossible for society to operate as a unified whole. What is required is a means of setting up an authority which is capable of efficiently establishing vertical priorities or exercising real selectivity in the formulation of social policies which are co-ordinated with one another and linked with macroeconomic policies; it will be necessary to repeat this process in the implementation of policies. Regardless of the institutional form which each country considers most suitable, there is a need to establish integrated responsibility in the social area, so as to allow a hierarchy of objectives to be established for the agencies responsible for

implementing policies. Finally, these measures of institutional integration will need to be complemented by action designed to facilitate, within reasonable periods of time, real participation on the part of underprivileged social groups in the preparation, implementation and evaluation of social policies within a process of democratization of the organization of social agencies, both at the levels of national planning and of implementation at the local level.

#### Forms of implementation according to the various national contexts

The specific design of the strategy and methods adopted for its implementation will vary depending on the differences in national circumstances and, in particular, on the development of productive forces already achieved as well as on the size and characteristics of the underprivileged groups. Not only do the countries possess different social and economic structures and varying degrees of technical and productive development, but also different types of policies and a diversity of social infrastructure.

In those countries whose level of technical and productive development is relatively high, where social and other services are widespread and in which marginal groups are not large in number in comparison with the population, it is likely that stress will be laid on technical and productive modernization, the improvement of social institutions and greater integration of the various strata into the process.<sup>61/</sup> Consequently, it would be desirable to strengthen social institutions, achieve greater co-ordination and efficiency and complete the range of services they already possess.

In the case of several countries, including those which are most important in terms of productive infrastructure and population, and in which sharp dichotomies appear between the development poles and the remaining regions, between urban and rural areas and between those sectors which are included and those which are left behind by the modernization process, the high relative level of development of the productive forces is combined with a very large number of poor groups. In these cases, it will be necessary to accompany policies designed to modernize and integrate these groups into the productive structure with major social policies to simultaneously act upon a number of different features.<sup>62/</sup>

Finally, in those countries where development is least advanced and in small countries in which agriculture predominates, which possess a scanty social service infrastructure, where levels of extreme poverty and social marginalization are of a particularly large scale, emphasis should be laid on substantial growth of integrated social services, together with broad measures to support the creation of the local community infrastructure of basic services. Simultaneously, it will be necessary to combine action designed to improve the standard of living of the underprivileged sectors with the whole range of measures designed to improve their productivity and income.<sup>63/</sup>

c) Policies to eradicate social deficitsFamily policies: nutrition, health and education: three keys to avoiding the reproduction of poverty in new generations

The family deserves particular consideration as the focal point of social policies and as a strategic instrument for more efficiently implementing many of the measures considered as part of integrated programmes. In the past it was common to focus attention almost exclusively on individuals when analysing poverty. This accounted in part for the fragmentation and inefficiency of many social policies. However, the family, with its variety of structural features, undoubtedly represents the most important analytical unit, in so far as individuals' living conditions are more dependent upon the level of income --monetary and non-monetary-- of the families to which they belong than on their own levels of income. As a strategic factor, the family constitutes a key unit in policy elaboration when it is considered from a dual perspective: that of achieving a considerable improvement among the groups of the population who benefit therefrom, and as a means of ensuring that they play an active part in implementing policies designed to avoid the reproduction of poverty among the new generations.64/

In this connection, nutrition, health and education represent three fundamental pillars among the set of basic requirements to avoid the reproduction of poverty in the new generations. Poverty and exclusion start to take form during pregnancy and subsequently depend on the care received at childbirth, on the food, health care and early stimulation received at the pre-school stage, as well as on the education, health and food received during the years of basic education. The vicious circle created by the culture which transmits poverty from one generation to the next illustrates the complex relationship between biological, social and cultural reproduction within the long cycle in which human beings are formed. It should also be mentioned that as societies become increasingly complex as a result of the processes of productive and technological modernization, urbanization and social change, the training received by individuals (including that acquired through non-conventional channels) has to be longer and more complete, as it determines to a great extent their future possibility of integrating into society.65/

Concern with nutrition has been expressed in concrete form through the various national food programmes which have been put into operation in several countries in the region. As examples of this, the programmes for the free distribution of food or for food subsidies implemented in Argentina, Brazil, Colombia, Chile, Guatemala, Mexico, Peru, Uruguay and Venezuela could be mentioned. The design of these programmes varies from one country to the next; some of them represent vast integrated programmes, while others are applied more selectively in determining which population groups are served.

In view of the priority given to the family at the beginning of this section, mothers and children would most benefit from an integral programme for nutrition, health and education. Consequently, the main responsibility for implementing these programmes would be borne by institutions linked to the ministries of health and education. It might be suggested that these

activities be centred on places providing primary health care and on schools as an integral part not only of aspects which are of direct interest to the programmes but also of others linked with the human development of the family group; it would thereby be possible to establish communications between the relevant government bodies and those contexts, at the local level, in which fundamental problems involving family welfare occur. This would require that aspects of development policies linked to health and education be strengthened as well as more intense co-ordination with other sectors. Finally, it would involve stimulating interaction, even if this were initially restricted to the level of information, not only between the three basic needs mentioned above, but also between other aspects, such as housing and the services associated thereto, particularly water and environmental health.66/

Strategies designed to avoid the reproduction of poverty and inequality in the new generations must improve the biological, social and cultural formation of the new members of society, in order that they may reach adult life with a basic homogeneous set of qualities. These policies are directed at the family to eradicate the causes of infant mortality and, in general, of the diminution of the individual's capacity. The National Plan for Child Survival and Development in Colombia and Brazil's "Primero a Criança" programme, among others, constitute noteworthy examples of this type of policy. The importance which family education policies attribute to health during pregnancy, and to information and preparation for childbirth and child care, should be extended to early educational stimulation, the formation of language and pre-school education for children. In addition, educational programmes to help people assume their family responsibilities must also provide families with information on sexuality and reproduction in order, among other things, to avoid early pregnancies and increase the independence of women.

As has been mentioned above, it should also be emphasized that integrated action to improve levels of nutrition, health and education in the vulnerable sectors, as well as other aspects of social welfare, must be applied in a manner which requires participation at the family and local community levels.

Actions to satisfy basic needs and bring about the social integration of the marginal population

This includes emergency policies whose aim is to create employment to produce social goods and services, policies involving training for work and citizenship (education and training for young people and adults) and policies to provide socially useful goods.

In those countries where the level of unemployment is so high that it has been necessary to set up emergency employment programmes, it is vital that the various short, medium and long-term results which they are capable of achieving be harmonized. These projects should become one of the principal mechanisms for transferring income, not only through the temporary work which they directly create, but also through the basic social goods and services they produce. They thereby simultaneously improve the living conditions of the underprivileged sectors, create direct and indirect permanent employment and raise productivity and output.67/

There is no doubt that these programmes are particularly important during the initial stages of implementation of policies to revitalize development, since by their very definition they remain in operation until the positive impact of development and consequent technical and productive modernization are fully felt on the domestic labour markets. However, in so far as they are designed to satisfy the needs of the poor, both by providing social and economic infrastructure as well as social services, they may have a considerable potential for integrating the various strata of the population.<sup>68/</sup> The choice between a project which allows the short-term creation of plentiful but temporary work and another which does not immediately create so many jobs, but which, however, provides permanent employment, will depend upon the diagnosis made of the employment situation and the urgency with which immediate problems need to be solved.

In concrete terms, these jobs would essentially be created by massive, multifaceted programmes, structured in accordance with the circumstances and overall plans of each country, within the following sectors: construction of low-cost housing; activities linked to the provision of infrastructure and services in the areas of education and health and those connected with food (irrigation and rural roads) and basic infrastructure (urban streets, water, drainage and electricity).

On the basis of studies carried out in several countries in the region as part of the Regional Employment Programme for Latin America and the Caribbean (PREALC), it is possible to represent graphically the amount of temporary and permanent employment (direct plus indirect) which has been created by the projects of various sectors in the field of basic goods and social services (see figure 4). In virtually all cases, the projects involving the construction of low-cost housing have created most temporary employment, followed by projects in the field of education. As far as the creation of permanent employment is concerned, irrigation projects predominate, together with projects involving investment in education where the creation of direct permanent employment is greater than in any other sector --twice as high as in health, the next sector, and six times higher than in electricity projects.<sup>69/</sup>

With regard to the creation of indirect employment, PREALC indicates that this is considerably greater in the case of irrigation and road projects (thirteen times higher than in electricity, the only other sector of this type which is a major source of permanent indirect employment). This is largely due to the incidence of investments in irrigation and roads on the creation of jobs in agriculture (which accounts for its importance for food and nutrition). Moreover, it is worth mentioning that in both cases this largely concerns rural employment; in that of irrigation, on account of the objectives intrinsic to the sector, and in that of roads on account of the impact of projects for penetrating roads and for the construction and improvement of internal trunk roads. In this respect, it must be understood that investment in both sectors may initially seem less attractive when the problem facing the nation is that of acute urban unemployment, since there are frequently restrictions on the actual possibility of transferring workers geographically for long periods of time. Moreover, it should be mentioned that, since a high percentage of the labour force in rural areas is underemployment and extreme poverty is most acute in the traditional agricultural sector, the work created by the construction, maintenance and utilization of irrigation and rural roads

will be more useful in providing productive employment for sectors of the labour force which are at present underemployed.

There is a wide variety of recent national experiences to provide reference points for the various combinations of programmes to generate employment while providing basic goods and social services to the lowest income sectors. In this respect, the sets of priority programmes in Colombia, Guatemala, Mexico and Peru among others, represent examples of the integrated type of programmes being proposed here, in which the local community takes part. Moreover, mention should be made of the experience of UNICEF, which, through its Basic Services Strategy, is sponsoring (with community support) social interventions in various countries of the region. The evaluations carried out so far point to significant rises in the standard of living of the sectors benefiting from this action, and a high cost-efficiency ratio. The components of these programmes include support to production projects at a local level with an impact on nutrition and investment in community infrastructure, water supply and basic sanitation.<sup>70/</sup>

Policies to train individuals for productive life and citizenship (education and training of young people and adults)

During the processes of productive and social change which took place from the 1960s up to the present crisis there took place what has been described as a "showcase" or "spurious" type of modernization, characterized by the short-lived reproduction of imported modernization, inadequate structural co-ordination and disparity in production and technology.<sup>71/</sup> As has already been mentioned, past experience in the region suggests that part of the population of working age, particularly in cities, was unable to enter the formal or modern sectors of the economy not only on account of the lack of jobs, but also because it lacked the appropriate skills. Another part has joined an informal sector with extremely low productivity which can only be raised by means of training, the provision of capital and measures designed to spark off processes of local innovation.

During the present decade, it is, moreover, necessary to take into account the loss of educational and professional skill which has affected a considerable percentage of the labour force that has been out of work or unemployed for long periods of time. To this must be added the lack of the necessary training to occupy the manual and non-manual jobs being created as a result of the introduction of new technological patterns. Of equal importance are a series of training needs, deriving from the changes which are taking place in the administrative, financial and service fields as a result of the introduction of data processing; the technical and ecological changes in agriculture; the complexity of productive, administrative and social organizations; and the need to process information and decipher complex messages in order to fully assume citizenship.<sup>72/</sup>

Young people are particularly affected by the situation described above. Approximately one third of the Latin American labour force is made up of young people between the ages of 10 and 24. In addition, it should be stressed that almost 60% of them live in urban areas, and the rates of economic participation for young people between 14 and 24 are 46% in the urban area and

52% in the rural area. Open unemployment is particularly acute among young people in urban areas, where it is common for them to comprise 50% of the total. Moreover, underemployment among young people possesses perhaps even more alarming characteristics, since it mainly affects marginal young people and young people from low-income strata and since, on account of its characteristics, it helps to maintain and reproduce the vicious circle of critical poverty.<sup>73/</sup>

This accounts for the importance attached to education and social policies.<sup>74/</sup> With regard to education policies, it is desirable to lay stress on the creation and strengthening of multifaceted and flexible systems which make it possible to meet very dissimilar needs and involve the active participation of non-governmental social organizations, together with important systems of agreement with enterprises.<sup>75/</sup>

Among the major types of action, mention can be made of the following:<sup>76/</sup>

- A large-scale effort to promote the education and training of unemployed young people. In several countries of the region, young people are out of work for long periods, which results in anti-social and anomic behaviour. In other countries, they have been incorporated into emergency employment programmes. Such programmes could at one and the same time provide young people with: the basic knowledge they need to serve as labour apprentices (if they have not finished primary school); and vocational training in a number of simple activities, such as maintenance and repair work which are currently carried out in a technically incompetent manner in the region.

- Measures to strengthen, or to set up, where they do not exist, professional training institutions fundamentally dedicated to developing skills and techniques to train young people as future workers and integral and adaptable members of modern society, which constitutes a vital factor in the processes of industrial reorganization and technical and productive modernization. This would ensure a flexible labour supply capable of adapting to the changing needs of the productive apparatus. Worthwhile examples of this are provided by the national training schemes in Brazil, Colombia and Costa Rica.

- The establishment of a number of agreements with enterprises so that young people can receive apprentice training in them either by alternating their studies with work or in training sessions. The expectations for success in the region are considerable since agreements of this kind are virtually non-existent at present and the enterprises could increase productivity by training and selecting young people with a better educational profile than that of previous generations.

- In the case of unemployed young people with middle level education, their skills may be tapped in programmes which, while similar to the present emergency employment programmes, concentrate on jobs which are of use to the society at large. The programmes to avoid the reproduction of poverty referred to earlier in this document provide broad scope for educated young people without jobs, who could be employed more productively in this type of programme than if they were put to manual labour in the existing programmes.

- Encouragement for activities based on solidarity between young students and young rural adults, young members of indigenous groups or of under-privileged urban sectors, which would help the former to gain an awareness of the problems facing the others and which would allow young people from the most under-privileged groups to acquire the means of creating their own specific forms of youth organization and expression. Noteworthy among these activities are programmes of the type in which one young person educates another or in which a young person helps a child, which mobilizes the best-educated strata to help training those with less education.

With regard to the training of adults, the measures adopted could be integrated with the training of young people. In addition, the following activities could be mentioned, among others:

- Training for State personnel, which would involve specific programmes directed to personnel at the operative, technical and administrative levels. Increased efficiency of the State is vital for the success of the strategy.

- Encouraging enterprises to act on their own or through sectoral chambers or associations to undertake regular staff training programmes. The experience of the region shows that medium- and small-scale enterprises and, in particular, enterprises in the traditional sectors of production, do not have recourse to vocational training services. An all-inclusive policy would result not only in greater efficiency in production but also in occupational mobility, since it would enable people with less formal education to make up for this through professional training and thereby gain access to more highly skilled and better paid jobs.

- The activities could also take into consideration (which they now do only infrequently) vocational training for people in the informal sector. Programmes in support of this sector have shown the positive results that can be obtained by training people engaged in micro-businesses. These programmes consist in the granting of loans and technical assistance, following an economic evaluation of the projects with the beneficiaries themselves, and in follow-up action on the project over a given period. The support provided has taken the form of training in minimum notions of evaluation techniques, accounting, marketing and production. In this respect, the experience gained in Colombia through the "National Micro-business Programme", which has been carried out with the participation of private foundations in association with the chambers of commerce under the co-ordination of the National Planning Department, provides a noteworthy example which could also be applied to youth. Similarly, mention should be made of the recent creation of the Informal Sector Institute in Peru, which provides members of this sector with credit and technical advice previously unavailable to them.

#### Policies to provide goods needed for socially useful production

Intensive training programmes must be complemented by policies to provide goods needed for socially useful production. Within the integrated strategy proposed to overcome social deficits, these policies would pursue the dual purpose of producing the goods and services which would increase the levels of income and well-being of those employed in the emergency employment programmes

proposed above, and of generating a larger number of jobs for the medium-income groups whose standard of living has also suffered as a result of the crisis.

As has already been mentioned, collective investment to improve the standard of living of the under-privileged is of high priority. If these groups are to attain acceptable minimum standards of living, it is necessary to make a considerable effort for the provision of urban infrastructure, basic health and education services, drinking water and waste-disposal facilities, and to set up peripheral health services, day-care centres and integrated school units, services for personal hygiene, space for physical and cultural recreation and means of transportation. These measures should provide a cornerstone for the organization and participation of the communities who benefit therefrom, which requires making full use of all the intermediate organizations which constitute civil society, such as non-governmental institutions, churches, co-operatives and collective organizations which possess considerable capacity to mobilize and foment social involvement as well as other types of popular organizations.77/

Attributing priority to collective infrastructure, which implies rationalizing the use made of funds and encouraging greater participation by the beneficiaries, in no way means that the serious housing problem, which is far from being easy to solve in cities whose rate of growth has remained above 4% per year for three decades, should be set aside. Construction is at one and the same time a means of reactivating the economy without spending more foreign currency and of immediately providing semi-skilled jobs, and for this reason it is considerably important for short-term development. Nevertheless, savings and credit mechanisms for housing have remained inaccessible to poor sectors, who lack payment capacity, and the subsidies granted have in many cases ended up by benefiting the members of medium- and upper-income groups. These considerations indicate the need to devote public funds to collective equipment and to net transfers for popular housing. As it will not be possible to fully meet potential demand in the short term, it will be necessary to adopt rigid selection criteria in choosing the beneficiaries and to simultaneously maintain a system of unsubsidized saving and credit for the middle- and upper-income groups.

Mention should also be made of the population's basic social security. The system adopted in the majority of countries was based on the social security model which assumes that there is a regular salaried population most of whom provide contributions, which has excluded large sectors of informal workers. Moreover, the contributions by the population covered by the system are backed by considerable financial contributions which are in most cases provided by indirect taxation. The organization of a universal social security system implies a careful selection of the services which can be provided, on the basis of the available resources, in order to improve the quality of the human resources and extend the protection which the whole family must receive in the face of unforeseen circumstances preventing it from meeting its basic needs. This means that priority should be given to basic health policies and policies providing protection in respect of congenital or acquired disability, death of the provider, and also for families whose head is a woman with low income.78/

## 2. Improved co-ordination of the State apparatus and increased mass participation

### a) Overcoming the institutional difficulties of social policy

Although some progress has been made in the region with respect to social policies aimed at the disadvantaged classes and in some cases institutions exist whose principal objective is to improve the situation of vulnerable families, a number of difficulties still remain to be overcome. Many of these are attributable to more general problems; for example, there is still a gravely erroneous perception of the role of overall social policies in the development process. Moreover, social policies tend to be fragmented sectorally and their effectiveness considerably diluted; also, the sector concerned with poor families generally occupies a relatively marginal position within the politico-administrative structure of the State.

While there has been undoubted progress over the last twenty years in terms of the perception of the relationship between social planning and economic planning or between economic development and social development, the practice often lags behind the conceptual formulation and priority is given to strictly economic aspects on the premise that the economic results achieved will lead to social improvements; such an approach tends to consider social policies as subordinated to economic policies.

Moreover, although the scope of social policies has been extended, its nucleus is still determined by the traditional perception of "the social" in relation only to the so-called "social sectors", namely, education, health, housing and social security. Scant attention is paid to the role of social groups in the development process, to society's options *vis-à-vis* these groups, and to proper emphasis on persons who belong to vulnerable groups as an objective of the society and as active participants in its development and transformation. In these circumstances, it is difficult to conceive of social policies as a coherent set of measures that are broader in scope than purely sectoral measures, without denying the importance of the latter.

The perception of social policies as the sum of sectoral actions dilutes the effectiveness of such actions since they are carried out by different agencies with little co-ordination among them. The consequence of this sectoral fragmentation is that, although there may be a health policy, an education policy, a housing policy, etc., there is no integrated social policy aimed at specific social groups. Social policies are not geared towards problems; they distinguish instead between the various administrative agencies that cater to social needs. Consequently, the formulation of social policies is based on the premise that the family resolves difficulties connected with the early infancy of a member with the help of the ministry of health, and where pre-school educational activities exist, these come under the responsibility of the ministry of social welfare. When children and young people reach school age they are then supposedly under the protection of the ministry of education, which sees to their academic training, while other aspects, such as social welfare and the utilization of spare time, come within the portfolio of the ministry of social welfare or the ministry of youth affairs. After this phase, they become adults and their future prospects

depend on economic policy and their protection on the ministry of labour, until they reach old age when, once again, they come under the responsibility of the ministries of welfare and social security. It is understood that the ministry of education organizes cultural activities for the student population as a whole, supplemented by a cultural diet of museums, theatres, music, etc., aimed generally at the middle and upper classes. The result of this sectoral fragmentation and the accumulation of horizontal priorities of social policies is that there remains a wide range of needs of the families of groups which are disadvantaged or excluded from the society, in the areas of health, nutrition, housing, social security, training for employment, and income, which are not met by the State.

In turn, the sectoral fragmentation of social policies is closely related to the separation of the politico-administrative structure from those sectors principally concerned with the welfare of disadvantaged families. Generally speaking, both those social policies aimed at broad social integration and those that are more selective, are affected by the "client" relationship between the institutions of the politico-administrative structure and organized social groups, whether broad-based or comprising specific population groups. Normally, these social groups, which are already linked to existing public institutions, develop into pressure groups and tend to retain the same kind of orientation found in the service itself. In view of the fragmentation of social policies and the fact that their application to disadvantaged families is severely limited, access to their benefits by those social groups which have the greatest difficulties in organizing themselves, such as the urban poor, is blocked by insurmountable obstacles.

This situation can still be observed in certain cases in ministries of education, which plan policies on the basis that all children and young people are covered by their services. However, a high percentage of their "clients" is, in fact, excluded from their services and is attended to by no one, if account is taken of the high dropout rate in the primary school system and, to a lesser degree, in some sections of the secondary school system. Since these groups should have been included in the education system, when they are not, they are treated as if they did not exist. There are also cases in which, when informal education policies, such as night schools, are implemented, they are intended for the education of adults and not to satisfy the educational needs of young people, although it is quite common to see young people from poorer sectors representing more than half of total enrolment in such institutions.<sup>79/</sup>

The difficulties faced by Latin America and the Caribbean in overcoming institutional shortcomings of social policy confront the State with the problem of obtaining effective authority in the elaboration of social policies in order to establish vertical priorities and to expand its capacity to rationally organize its programmes with a view to enhancing both its effectiveness and its efficiency. There is therefore urgent need for an institutional organization that would integrate and co-ordinate social policies both internally and *vis-à-vis* economic policies. Emphasis also needs to be placed on enhancing the effectiveness of the technical and administrative management of social institutions, through the use of suitable methods of programming, systematic and integrated information systems and functional training.

b) Increased participation of other forms of grassroots organization

In recent years, Latin America and the Caribbean have witnessed the emergence of a large number of non-governmental institutions whose activities are geared towards development. These institutions work with sectors of the population living in conditions of acute poverty and employ new techniques of social work that rely on community participation and on autonomy in the search for solutions to their problems. They have proven to be highly effective. At the same time, in the face of the increasing deterioration of their living conditions, the poorest sectors themselves have demonstrated an unusual capacity to recompose their social fabric and to establish other forms of popular organization with very diverse aims and composition.<sup>80/</sup> Taken together, however, these institutions constitute a fragmented and isolated entity which does not have the necessary mechanisms to co-ordinate activities within itself and with the public sector.

This is why it is so necessary to create intermediate institutions <sup>81/</sup> between citizens and the State; mobilization of domestic resources for the elaboration and implementation of social policies, decentralized application of public policies, community participation; technical assistance by non-governmental agencies to social programmes and widening of the scope of operations, which will result in a policy of social development that is more functional, effective and has wider participation.<sup>82/</sup>

C. THE SOCIO-POLITICAL CONDITIONS OF THE DEVELOPMENT STRATEGY

1. Need for greater social integration

A development strategy whose objectives embrace processes of modernization in technology and in systems of production, and efficient methods for integration into the international economy accompanied by greater social justice, requires not only firm action by the government but also close co-operation among all social groups aimed at promoting and achieving these objectives. In this respect the societies of Latin America and the Caribbean are facing a twofold challenge: on the one hand, to come up with positive solutions to the crisis, both in its current acute manifestations and in its structural, underlying causes; on the other hand, to adjust to the profound changes which are in store. The attitude of the various social groups which make up the societies of Latin America and the Caribbean constitutes the social basis for the changes and transformations that are needed. These groups may be favourably disposed towards change or, on the contrary, may resist some necessary transformations. It must be borne in mind that all change leads to modifications in relations between social groups and gives rise to new social relations, which are seldom free of conflict or friction. A good example is provided by the crisis of the 1980s, which took place at a time in which much of the economy of Latin America and the Caribbean was in a phase of restructuring of the model that had been followed up to around the 1970s. Through this restructuring, an attempt was made to place external relations on a new footing and to introduce new modalities of domestic development, which called for complex processes that led to social and political conflicts whose solution, in some cases, resulted in the use of authoritarian formulas. The

modalities of the relationships between the various economic and social groups were also changed and the existing levels of social cohesion altered, without any success in definitively establishing new systems of stable social relations. Since the State had traditionally played a key role in establishing the patterns of social relations, and consequently in social integration, the new assumption was that the market should also play an important, or perhaps decisive, role in this process. This could explain the tendency to privatize the traditional functions of the State in the areas of housing, health, education, inter alia. All of this meant the restructuring of previous relationships, which had an impact on the existing levels of social cohesion, since the traditional mechanisms for the integration of many classes in the society were weakened. On the other hand, the trend towards the concentration of income tended to become more marked, in general, while the more disadvantaged sectors did not benefit from any mechanism to compensate for the relative deterioration of their material situation. Experience has shown that, in implementing specially designed policies, both in the modalities of such implementation and in their results, particular emphasis must be placed on their capacity to improve social cohesion, which means that all parties concerned should see that potential sacrifices and successes are really shared.

As the diagnostic section of this study has attempted to show, alongside the obvious successes of the process of growth in the region in recent decades there are also the deficiencies that constitute the fundamental problem of the region. An undeniable gap persists between the rural and urban areas and "pockets of backwardness" are often formed which tend to reproduce the unsatisfactory conditions of existence that characterize them. On the other hand, the characteristics of modernization are also not fully present in the cities. In tackling the problems of the social integration of rural areas, the problem must be faced of the relationship between the enterprise economy and the peasant economy and the modalities of development of both. Entrepreneurial agriculture, despite its purely economic successes, seems not to be the most suitable vehicle for promoting a process of comprehensive transformation, and the peasant economy, although it provides a means of subsistence, does not itself possess the dynamism to promote far-reaching changes.

While there undoubtedly exist in urban areas symbols of modernity, experiences of upward social mobility and adherence to new norms of conduct, these are not the same for all classes; heterogeneity is a strikingly manifest characteristic in most cities of the region. Moreover, alienation and urban poverty are permanent phenomena and, in many cases, the absolute numbers of those affected are on the rise. It is also common knowledge that, notwithstanding the experiences of social mobility, the gap between the richest and the poorest groups is widening.

In addition, there is general awareness of the effects on social integration caused by changes in the formerly traditional mechanisms of integration, mainly the educational system, which, notwithstanding its achievements, has reintroduced areas of differentiation that are often sharply defined. Consumption patterns also tended to accentuate the differences between the life styles of the various classes. All of this gives rise to the deep and very visible segmentation both between and within the various social groups. The return to private ownership of many services, which in some

measure had promoted integration within the society, helped to accentuate the differences with the result that, in many cases, the particularities of groups became more pronounced. All of this means that any development strategy enjoying broad popular support must be based on policies that promote greater social cohesion and greater integration of the different classes.

## 2. Need to equip the State to meet the challenges of the new strategy

There is general agreement on the need to adapt the functioning of the State apparatus to the demands of the new strategies that are being elaborated to overcome not only the obstacles that have arisen from the crisis of the 1980s, but also the economic, social and political problems that have been accumulating in most of the countries of the region.

The State has always played a particularly important role in the region; it has even been said that in some countries the national societies are largely the creation of the State.<sup>83/</sup> There is no need to return to the distant past to appreciate the major role of the State in the process of industrialization, or more broadly speaking, in the promotion of policies to develop the domestic market, which occurred in some countries after the 1929 crisis and in others during the post world war II period.

Historical experience shows that the State has played a vitally important role in processes of social integration and, particularly, in the promotion of social justice. These processes are concerned both with the redistribution of the fruits of development, which the State can help to make more efficient, and with the life styles and values shared by the national community as a group. The experience of the region shows that, in the absence of firm action by the State, social integration and social justice are not a natural consequence of the spontaneous dynamism of the economy. Firm action by the State in this area is therefore necessary in order to implement strategies that effectively promote social justice.

Moreover, the Latin American experience shows that the State has always played an important role in the economy by promoting economic processes, creating favourable conditions for the development of the various sectors of the economy and by undertaking activities which the private sector could not easily undertake. Among the economic problems which clearly require action by the State is that which relates to the need to create jobs in order to combat the recession brought on by the crisis. In view of the scale of investment required and the magnitude of the problems, the private sector would have difficulty in undertaking it alone. Furthermore, as is well-known, the crisis has coincided with a large-scale readjustment of technological and productive methods. All of this requires a capacity for action by the State not only in the strictly economic field but also in areas such as formal education, the acquisition of new skills, the identification of current processes, information about such processes, etc. As already mentioned, it is not enough to link the strategies designed to combat the crisis to an economic recovery; what are also needed are changes in the orientation of such strategies and consequently the creation of vigorous stimuli which are not necessarily present in society as it exists today.

The crisis once again underscored the vulnerability of national economies to external factors; there is need for State action in this area if those economies are to have a greater degree of autonomy in the future. Just as at the socio-political level, where it is accepted that the State should play a key role in maintaining national sovereignty vis-à-vis foreign entities, the role of the State in the preservation and construction of economic sovereignty must also be recognized.

In short, a strategy aimed at creating dynamic economies with a capacity to be autonomous and to create mechanisms that promote forms of social justice will require significant State participation. Such participation, however, cannot take place on the margin or outside the framework of the society; on the contrary, the problem is to create a type of society that is reflected through the State, in so far as the latter constitutes one of the principal forms of organization of the society.

There has been some controversy recently concerning the way in which our societies should be organized: if its organization derives from the operation of the market and, consequently, the role of the State is to ensure that its smooth functioning is not disrupted, or whether its form of organization should be based on a structure composed of the dynamic private and public agents of the economy. Indeed, Latin American society has become considerably diversified and different groups are able to organize themselves and express their demands. This is why we refer to a type of State that expresses the capacity of the society to organize itself --without situating itself on the fringe of that society-- in such a way as to facilitate interaction between all existing classes and with a system of organization that flows from the interaction of the various groups.

The task is clearly not an easy one. A democratic project presupposes the intention to include not only the immediate demands and aspirations of the various sectors that comprise a society, but also the objective of constructing a shared future. The democratic aspiration, and hence the recognition of the diversity not only of the present but also possibly of the future, seeks to maintain the necessary social cohesion by exploring ways of achieving consensus on basic issues, which, however, does not stifle the creativity that is vital to any future and which is effectively expressed in the diversity of existing options.

However, in order to tackle the tasks referred to above, the democratic State needs to enhance its capacity and effectiveness. It is first necessary to strengthen the State's capacity for action in the economic field. The challenges of the crisis mean that there is need to undertake tasks such as generating the necessary accumulation of capital to effect the necessary changes, providing protection and assistance to new activities that are considered to be most dynamic from a strategic point of view, creating the infrastructure on which such activities are based and promoting and orienting the necessary technological changes. Moreover, all change brings with it dislocations of various sorts, and the State must of course try to mitigate and correct them. It is difficult to say in each case which will be the most suitable mechanisms for strengthening the economic capacity of the State, but it may be said that, generally speaking, such mechanisms include the proper use of the instruments of economic policy, direct productive investment and

control as well as the orientation of public and private financial mechanisms. The most appropriate combination can only be suggested in very specific circumstances.

The political capacity of the State also needs to be strengthened. The State must ensure that the prevailing institutional order reconciles as far as possible the diverse interests that exist in a society. The political capacity of the State basically means its readiness to exercise its authority over all social groups; however, this capacity cannot be based only or mainly on coercion, but rather on principles that confer legitimacy to its mandates. For this to be possible, democratic political principles must be observed so that the authority that emanates from the State is the expression and representation of the society. The existence of democratic political and institutional systems and respect for them in the society, will make it possible to achieve a high degree of responsibility and of individual and collective discipline, which will form the basis of a vigorous and stable political capacity of the State.

In the countries of the region, power, wealth and income have tended to be concentrated in the hands of the few, while other groups are excluded from the fruits of development, which exacerbates social conflicts. The State has had to confront these conflicts, as well as problems arising from the new options of change and growth, to the degree that the latter lead to transformations that affect already established positions. On the other hand, it is very common for a gap to develop between the concrete achievements of a style of development and the expectations of the various social groups, thus giving rise to tension since the results achieved do not live up to the subjective demands of the various groups. The State needs to strengthen its capacity to promote social integration since the problems referred to above arise because the consensus is broken in so far as social interests tend to be viewed not only as conflicting but also, and very often, as mutually exclusive.

It is therefore necessary for each group to rise above its own vested interests in favour of a global project to which a large majority of the society subscribes. In the acceptance of such a project, education has played and can continue to play an important role in promoting common values. In addition to values, however, there is also the question of creating institutions that can be seen as elements of a common identity. It suffices, for example, to mention the importance of a judicial system with broad functions operating in a non-discriminatory manner and with a sense of equality.

It must be stressed that social integration cannot by itself resolve the problem of incorporating the excluded, but --particularly in societies that are already diversified-- the establishment of a principle of common identity is what makes social cohesion possible. The prevalence of corporative policies in the various social groups threatens not only the functioning of the political system, but also the possibility of achieving stable consensuses, which require more than good negotiation of immediate interests in order to be achieved.

To achieve the above-mentioned objectives, which means enhancing the capacity of the State in various areas --economic measures, external relations, social integration and political authority-- it is also necessary to improve the technical and administrative effectiveness of the State apparatus. With these aims in view, efficiency is not achieved merely by further rationalizing the bureaucratic system --although that too is important--, but it must also be measured in terms of the social effectiveness of the overall action of the State. This requires the greatest possible harmonization of the action of the State with the objectives which should govern its action. There is also need for unity and internal coherence between the various agents that comprise the State. The technical and administrative effectiveness of the State poses problems that are difficult to resolve and requires a certain degree of independence *vis-à-vis* agents which are external to the State apparatus, that would enable it to rise above a narrow or sectoral perspective and to develop an overview which represents the general interests of the national community. Through its technical and administrative management, the State must combine technical organization with decision-making processes involving many authorities, both State and private, thus combining technical organization, political organization and bureaucratic organization.

### 3. The strategy and the requirements of democracy

A new development strategy cannot be conceived merely as the will to act, however well intentioned this may be, on the part of the technical and bureaucratic sectors that make up the State apparatus. As mentioned before, it requires the active and conscious participation of the entire population that is affected by the process. For this to take place, there is need for institutional structures that can make this participation possible and consolidate the democratic aspirations that have been continuously expressed in the countries of the region.

However, there is no denying a fact which stands out as a paradox in modern societies; that is, a growing demand for democratization in conditions which make it increasingly difficult to achieve democracy. These obstacles --it is said-- are peculiar to the process of modernization. In almost every case, this process has meant the existence of large organizations --State agencies, trade unions, political organizations, entrepreneurial organizations, etc.-- all of which, because of their structure, tend to assume bureaucratic forms which, as a method of operation, are based on different premises from that which underlie a democratic system.

In addition to this bureaucratization, there is the fact that contemporary societies are so complex that it requires specialized technical skills in order to function. This creates a difference between those who possess such specialized skills and those who do not, which also constitutes an obstacle to the proper democratic and participatory functioning of the society.

At the political and ideological level problems are also encountered. The challenge is to develop a democratic line of thinking which is capable of responding to the demands of the underprivileged classes, offers a solution to the existing social differences and opens channels of expression for the

conflicts that are inherent in any process of change. There is therefore need to conceive of a political and institutional system that can accompany the process of transformation.

The prevalent view in Latin America and the Caribbean of the rights of citizens has been the duty of the society, and particularly of the State, to ensure that certain basic demands associated with social existence are satisfied. The social rights of the citizen --guaranteed access to education, housing, health services, etc.-- have been given precedence over so-called civil rights. This claim, which is addressed to the State, will probably continue to be made in the near future and will perhaps become even more insistent, although it is not expected to be satisfied in the conditions in which it has been hitherto. In fact, the joint demands for representation and participation have become more insistent, which poses considerable problems for the juridico-political institutions. This makes it necessary to create mechanisms for direct and undelegated representation as well as specific forums in which these demands can be expressed. In the area of economic relations, it means the creation of decision-making mechanisms that provide for direct representation of the groups involved, which in turn requires collective and organized forms of actions.

The predominance of the demand for social rights by citizens sometimes gives rise to a false choice between a substantive democracy and a formal democracy, in which more importance is attached to the concrete satisfaction of certain demands than to the political and institutional mechanisms used to satisfy them. Nevertheless, experience has shown that it is extremely important to reconcile these two aspects, since the achievements of substantive democracy need to be formalized by institutions so that they would not become the mere expression of personal decisions. Moreover, its continued existence is guaranteed by the fact that they are institutions accepted by the society as a whole.

On the other hand, the formalization of rights provides the society as a whole with a system of norms and values to govern its conduct. The existence of a formal democratic system, reflected in institutions and juridical norms, helps to streamline the functioning of the society, which is extremely important for the stability of any political system.

One of the most burning issues in contemporary democratic demands is that of participation in the exercise of power. This requires that the instruments of power, such as political parties and the so-called intermediate agents, should permit the establishment within their structures of genuine forms of representation and participation. On the other hand, there is also need in certain circumstances for a certain degree of decentralization of power. To the extent that power is too centralized, the gap between the governing groups and the governed tends to widen and important decisions are taken by a small number of people. While participation in the decision-making process leads to decentralization, it cannot be a process of decentralization in less important areas. Decentralization is a complex process of diffusion of responsibility which carries with it the idea that, however limited the sphere in which decisions are taken, there is a broader responsibility that transcends the particular nature of the situation and of the groups affected.

Bearing in mind that the functioning of modern societies requires collective and organized forms of action, it is necessary to ensure that the political system permits the greatest possible degree of representativity, so that there is a genuine coincidence of views between the government and the governed. The problems of representation in parties, parliament and government, as well as in other institutions, are major problems in any democracy. To ensure that participation is not merely formal, there is need for considerable development of the awareness of citizens, and anything that limits the independence of this awareness or restricts intellectual development constitutes an obstacle.

If the interests of the various groups are to be expressed in the society, it is necessary to conceive of the relationship between the society and the State in its broader sense, as a process of forming and continuously advancing beyond shifting equilibria. The forms of social agreement or consensus may be extremely varied and may range from very specific matters to decisions that affect the current style of development and of the society whose creation is being sought. It must be pointed out that, although a process of harmonization may seek to establish economic and social agreements between sectors or organized groups, in the last resort such agreements must be ratified and legitimized by the State. In the countries of the region, the participation of the State in this process of harmonization does more than merely legitimize the agreement, since, in view of the fact that most of the economies are mixed, the State is also involved as a party to the agreement and must play the role of mediator and participant at the same time.

In Latin America and the Caribbean it must be remembered that there are important social groups whose capacity to organize themselves and to secure representation for their interests is undeveloped, which is why harmonization should not legitimize existing conditions. On the other hand, it is also peculiar to the situation in the region that harmonization cannot be limited merely to the management of development, but that it includes issues of economic growth, political participation, social integration, and institutional stability, inter alia; this makes it even more necessary to be aware of the mutual dependence between social co-ordination and political co-ordination.

#### Notes

1/ See ECLAC, Crisis and development: the present situation and future prospects of Latin America and the Caribbean (LC/L.332(Sem.22/3)), Santiago, Chile, 1985, Vol. I.

2/ See ECLAC, Transición estructural, movilidad ocupacional y crisis social en América Latina, 1960-1983 (LC/R.547), Santiago, Chile, 1986.

3/ See C. Filgueira and C. Geneletti, Estratificación y movilidad ocupacional en América Latina (E/CEPAL/G.1122), Cuadernos de la CEPAL series, No. 39, 1981.

4/ See ECLAC, América Latina en el umbral de los años 80 (E/CEPAL/G.1106), Santiago, Chile, 1979, pp. 72-88.

5/ Ibid., and Enrique Iglesias. "Development and equity. The challenge of the 1980's", CEPAL Review, No. 15, Santiago, Chile, December 1981, pp. 7-48. United Nations Publication, Sales No.: E.81.II.G.4.

6/ See PREALC, Creation of productive employment: a task that cannot be postponed, Working document, No. 280, Santiago, Chile, 1986, p. 29. Also published in Desarrollo Económico, Vol. 26, No. 103, October-December 1986.

7/ ECLAC, Oscar Altimir, La dimensión de la pobreza en América Latina, Cuadernos de la CEPAL series, No. 27, Santiago, Chile, 1979, table 12, p. 63.

8/ The proportion of poor in the total population (37%) was calculated on the basis of: a) the total number of poor quoted in ECLAC, La pobreza en América Latina: dimensiones y políticas, in Estudios e Informes de la CEPAL series, No. 54, Santiago, Chile, 1985, table 7, p. 45; and b) the figures for the total population as estimated by CELADE, Boletín Demográfico, year XIV, No. 28, Santiago, Chile, July 1981, p. 4.

9/ ECLAC, La pobreza en América Latina: ..., op.cit., table 8, p. 46.

10/ The growth rates of the rural population were taken from CELADE, Boletín Demográfico, year XIV, No. 28, 1981, and the figures for rural poverty from ECLAC, La pobreza en América Latina: ..., op.cit., table 9, p. 47.

11/ ECLAC, Crisis and development: ..., op.cit. The growth rate of per capita GDP in the region was obtained from ECLAC, Statistical yearbook for Latin America and the Caribbean, 1985 (LC/G.1420), Santiago, Chile, August 1986, United Nations Publication, Sales No.: E.S.86.II.G.1.

12/ Norberto García, "Growing labour absorption with persistent underemployment", CEPAL Review No. 18, Santiago, Chile, December 1982, pp. 47-68. United Nations Publication, Sales No.: E.82.II.G.4.

13/ ECLAC, Crisis and development: ..., op.cit., Vol. II.

14/ Ibid., pp. 2 and 3.

15/ ECLAC, Latin American and Caribbean development: obstacles, requirements and options (LC/G.1440(Conf.79/3)), Santiago, Chile, 1986.

16/ PREALC, Ajuste y empleo: los desafíos del presente, Working document, No. 287, Santiago, Chile, 1986.

17/ PREALC, Creation of productive employment: ..., op.cit.

18/ Ibid.

19/ Ibid.

20/ Ibid.

21/ World Bank, Poverty in Latin America: the impact of depression, World Bank Staff Report, Washington, D.C., October 1986, p. 6.

22/ IDB, Economic and social progress in Latin America: Report, 1986, Washington, D.C., 1986, table IV-4.

23/ See, for example, ECLAC, Antecedentes estadísticos de la distribución del ingreso, Brasil 1960-1983, Distribución del Ingreso series, No. 2, Santiago, Chile, 1986, and Statistics and Quantitative Analysis Division, "Efectos de la crisis externa en las condiciones de vida de los hogares latinoamericanos", statistical tables prepared for UNICEF, December 1986.

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25/ ECLAC, Statistics and Quantitative Analysis Division, "Efectos de la crisis externa ...", op.cit., table 5.

26/ Ibid.

27/ Ibid.

28/ ECLAC, Antecedentes estadísticos de la ..., op.cit.

29/ World Bank, op.cit., p. 23.

30/ ECLAC, Statistics and Quantitative Analysis Division, "Efectos de la crisis externa ...", op.cit., table 5.

31/ Ibid.

32/ Ibid.

33/ IDB, op.cit., table IV-5.

34/ Cornia, G.A., et al., Adjustment with a human face, UNICEF, 1987, pp. 95-97.

35/ World Bank, op.cit.

36/ Ibid.

37/ Javier Martínez, Efectos sociales de la crisis económica: Chile, 1980-1985 (LC/R.519(Sem.35/3)), Santiago, Chile, ECLAC, 1986.

38/ Social Development and Assistance Department of the Office of the President, Government of Chile, Chile: estrategias e instrumentos de desarrollo social (LC/R.557(Sem.35/14)), Santiago, Chile, ECLAC, 1986.

39/ Del Valle, L., Efectos de la crisis en las condiciones de vida de los distintos estratos sociales de Guatemala (LC/R.541(Sem.35/6)), Santiago, Chile, ECLAC, 1986.

40/ Cornia, G.A. et al., op.cit., p. 103.

41/ World Bank, op.cit.

42/ See, for example, ECLAC, La transformación socio-ocupacional del Brasil, 1960-1980 y la crisis social de los '80 (LC/R.518), Santiago, Chile, 1986.

43/ ECLAC, Preliminary overview of the Latin American economy, 1986 (LC/G.1454), Santiago, Chile, December 1986.

44/ See ECLAC, "Escenarios de la economía mundial hasta 1990", Industrialización y desarrollo tecnológico, Report No. 2, Santiago, Chile, 1986, and ECLAC, Economic development: an appraisal, and projections 1985-1990 (LC/G.1407(SES.21/9)), Santiago, Chile, 1986.

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47/ See No. 29 of CEPAL Review, which is entirely devoted to the problems of today's youth.

48/ For a fuller development of this issue see, in particular, ECLAC, Latin American and Caribbean development: ..., op.cit.

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50/ Norberto González, "Reactivation and development: the great commitment of Latin America and the Caribbean", CEPAL Review, No. 30, Santiago, Chile, December 1986.

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52/ Joint ECLAC/UNIDO Industry and Technology Division, "Thoughts on industrialization, linkage and growth", CEPAL Review, No. 28, Santiago, Chile, April 1986, pp. 49-66.

53/ Aníbal Pinto, "Concentración del progreso técnico y de sus pautas en el desarrollo latinoamericano", in Inflación: raíces estructurales, Fondo de Cultura Económica, Mexico, 1973.

54/ In this respect, it is worth remembering the proposals made by Raúl Prebisch which were centred on the notion of "the social use of the surplus", see in particular, his work Capitalismo periférico. Crisis y transformación, Fondo de Cultura Económica, Mexico City, 1981.

55/ Declaration of the countries of Latin America and the Caribbean in Mexico.

56/ Some examples are Helio Jaguaribe, et al., Brasil 2000, Para um Novo Pacto Social (Rio de Janeiro, Paz y Terra, 1986) and Políticas para reiniciar el crecimiento y sustentar avances sostenidos en el bienestar general (LC/R.553(Sem.35/9)), ECLAC, Santiago, Chile, presentation by Mrs. María de los Angeles Moreno, Deputy Minister for Social and Regional Development of the

Secretariat of Planning and the Budget of Mexico at the meeting on "Possible measures to deal with the immediate and long-term impact on social development of the external crisis and the adjustment process" organized by ECLAC, UNDP and UNICEF in Lima, Peru, 25-28 November 1986.

57/ Juan Carlos Tedesco, "Crisis económica, educación y futuro en América Latina", Nueva Sociedad, No. 84, Caracas, July-August 1986, pp. 80-90.

58/ For a fuller development of these elements see: Tedesco, ibid; Joint ECLAC/UNIDO Industry and Technology Division, "Thoughts on industrialization ...", op.cit.

59/ In addition to being a key factor in defining the strategy objectives this approach was vital in preparing the "Regional Plan of Action for Latin America and the Caribbean for the International Youth Year" and "Policies to complement the Regional Plan of Action in relation to the crisis", both of which were adopted by the countries of the region by consensus. See: ECLAC, La juventud en América Latina y el Caribe, Estudios e Informes de la CEPAL series, No. 47, Santiago, Chile, 1985, and ECLAC, Report of the second Latin American and Caribbean Regional Meeting for the International Youth Year (IC/G.1362(Conf.78/6)), Santiago, Chile, September 1985.

60/ The categories of groups deserving priority and the characterization of their wants are taken from the document Development, change and equity: vanquishing poverty (IC/G.1448(Conf.79/4)), Santiago, Chile, January 1987, prepared jointly by ECLAC, UNDP, PREALC and UNICEF for the meeting on "Possible measures to deal with the immediate and long-term impact on social development of the external crisis and the adjustment process" organized by ECLAC, UNDP and UNICEF in Lima, Peru, from 25 to 28 November 1986.

61/ A clear example of this strategy recently appeared in relation to Uruguay. See Eduardo Cobas and Hugo Fernández Faingold, Problemas estructurales y de la crisis económica en el desarrollo social del Uruguay y respuestas en las estrategias de las políticas del gobierno democrático (IC/R.540(Sem.35/5)), ECLAC, Santiago, Chile, November 1986.

62/ See Norma Samaniego, Los efectos de la crisis en 1982-1986 en las condiciones de vida de la población en México (IC/R.539(Sem.35/4)), ECLAC, Santiago, Chile, November 1986.

63/ An example of such a combination of measures is to be found in: Luis Arturo del Valle, Efectos de la crisis ..., op.cit.

64/ See Rolando Franco and José Carlos Cuentas Zavala (Co-ordinators), Desarrollo social en los 80, ECLAC/ILPES/UNICEF, Santiago, Chile, 1983 and ECLAC, La pobreza en América Latina: dimensiones y políticas, Estudios e Informes de la CEPAL series, No. 54, Santiago, Chile, 1985.

65/ These ideas are more fully developed in ECLAC/UNDP/PREALC/UNICEF, Development, change and equity ..., op.cit.

66/ See ECLAC, La pobreza en América Latina: ..., op.cit.; and Irene Klinger, Office of Analysis and Strategic Planning of the Pan-American Health Organization/World Health Organization, El impacto de la crisis económica en el campo de la salud: problemas y alternativas en la región de las Américas (IC/R.554(Sem.35/10)), ECLAC, Santiago, Chile, November 1986.

67/ See PREALC, Creation of productive employment ..., op.cit.; PREALC, La creación de empleo en períodos de crisis, Working document, No. 251, Santiago, Chile, 1984, and PREALC, Los programas especiales de empleo. Algunas lecciones de la experiencia, Working document, No. 225, Santiago, Chile, 1983.

68/ See PREALC, Structural adjustment and social debt, Working document, No. 282, Santiago, Chile, 1986 and ECLAC/UNDP/PREALC/UNICEF, Development, change and equity ..., op.cit.

69/ See PREALC, Creation of productive employment: ..., op.cit.

70/ See Colombia: economía social para el desarrollo (LC/R.556 (Sem.35/13)), ECLAC, Santiago, Chile, 1986; presentation made by Mr. Luis Bernardo Flores Enciso, Assistant Director of the National Department of Planning of Colombia at the meeting on "Possible measures to deal with the immediate and long-term impact on social development of the external crisis and the adjustment process", Lima, Peru, 25-28 November 1986; Luis Arturo del Valle, Efectos de la crisis: ..., op.cit.; María de los Angeles Moreno, Políticas para reiniciar ..., op.cit.; César Ferrari, Desarrollo social y pobreza en Perú. Factores estructurales y efectos de la crisis externa; las políticas adoptadas para lograr el desarrollo económico y social (LC/R.542 (Sem.35/7)), ECLAC, Santiago, Chile, 1986 and ECLAC/UNDP/PREALC/UNICEF, Development, change and equity ..., op.cit.

71/ See Joint ECLAC/UNIDO Industry and Technology Division, "Reflexiones sobre industrialización ...", op.cit. and ECLAC, Transición estructural, movilidad ..., op.cit.

72/ ECLAC/UNDP/PREALC/UNICEF, Development, change and equity ..., op.cit.

73/ See ECLAC, La juventud en América Latina ..., op.cit.; CEPAL Review No. 29, August 1986, devoted to the theme of youth and the series of case studies on Colombia, Costa Rica, Honduras, Nicaragua and the Dominican Republic, Venezuela and the English-speaking Caribbean countries presented at the International Expert Seminar on "Youth in the Caribbean Basin: present situation, prospects and needs", organized by ECLAC and the Centre for Development Studies (CFNDES) of the Central University of Venezuela, Caracas, between 3-5 December 1986.

74/ At the Second Latin American and Caribbean Regional Meeting for the International Youth Year (Montevideo, 26-29 August 1985), the Minister of Culture of Uruguay stressed that "all policies connected with young people should be essentially of an educational nature, since it is necessary to prepare young people for the science and technology of tomorrow and for its smooth adaptation to a process of change in a context of freedom and social justice: thus, the great challenge for the governments of today is in the field of education", in ECLAC, Report of the second ..., op.cit.

75/ See Juan Carlos Tedesco, "Crisis económica, educación y ...", op.cit.

76/ See ECLAC/UNDP/PREALC/UNICEF, Development, change and equity ..., op.cit. and "Policies to complement ...", in ECLAC, Report of the second ..., op.cit.

77/ See Daniel A. Morales Gómez, Cooperativas de producción y participación: la experiencia de adultos de América Latina, Council of Latin American Adult Education (CEEAL), Apuntes series No. 10, Santiago, Chile, May 1986; Johanna Flip (editor), Escuela básica y democracia: conclusiones de un seminario, Centre for Educational Research and Development (CIDE) and Interdisciplinary Programme for Educational Research, Working document, No. 4, Santiago, Chile, 1984 and Oscar Corvalán and Ricardo Andreasu (editors), El trabajo productivo en la educación formal y no formal: encuentro nacional, CIDE, Working document, No. 5, Santiago, Chile, 1985.

78/ ECLAC, Latin American and Caribbean development ..., Santiago, Chile, op.cit.

79/ ECLAC, La juventud en América Latina ..., op.cit.

80/ Clarisa Hardy, Estrategia organizada de subsistencia; los sectores populares frente a sus necesidades en Chile, Labour Economics Programme, Academia de Humanismo Cristiano, Working document No. 41, Santiago, Chile, November 1985.

81/ See Carlos Vergara, "El nuevo escenario de la política social en Chile y el espacio de los organismos no gubernamentales" in UNICEF Del macetero al potrero: el aporte de la sociedad civil a las políticas sociales, Santiago, Chile, September 1986.

82/ It may be useful to repeat here the statement made by René de León Schlotter, Minister of Urban and Rural Development of Guatemala in his address to the meeting on "External crisis: adjustment process and its immediate and long-term impact on social development: possible solutions", organized by ECLAC/UNDP/UNICEF (Lima, Peru, November 1986): "The organization must be democratic in structure. From the base up, its structure must extend to the national level. Grassroots organizations, whether small communities or local groups of a functional organization (co-operative, league, trade union, etc.), must have genuine representation that takes part in the decision-making process. If this type of democratic participation at all levels is not insisted upon, democracy will continue to be merely representative and not participatory. It is therefore necessary to promote gradual and functional organization, from the base to the summit, that will permit upwards mobility through a process of elections. On other hand, the methods of grassroots social organizations should also be democratic in the sense that their relations with opposing groups and sectors or with the State should be based on mutual respect and the use of democratic methods. This is the way in which we can speed up the process of integration of our national societies since co-existence on the basis of understanding leads to balanced and more enduring social justice". René de León Schlotter, Guatemala: un nuevo enfoque para el desarrollo (LC/R.555(Sem.35/12)), Santiago, Chile, ECLAC, November 1986.

83/ See, for example, Francisco J. Alejo, "The new role of the State in Latin America" and Luis Alva Castro, "On the role of the State", both in CEPAL Review, No. 27, Santiago, Chile, December 1985 (pp. 153-158).



Annex

TABLES AND FIGURES



Table 1

LATIN AMERICA (TEN COUNTRIES): DISTRIBUTION OF THE ECONOMICALLY ACTIVE POPULATION  
BY OCCUPATIONAL GROUPS, 1960, 1970, 1980 a/

	<u>Argentina</u>			<u>Uruguay</u>		<u>Chile</u>			<u>Panama</u>			<u>Costa Rica</u>		
	1960	1970	1980	1963	1975	1960	1970	1980	1960	1970	1980	1960	1970	1980
Non-manual groups	39.4	37.3	42.7	38.8	38.6	22.8	32.2	36.8	21.2	23.1	31.9	23.4	24.4	30.9
Manual groups in the secondary and tertiary sectors	34.2	37.4	34.4	31.7	33.2	33.6	35.3	32.8	18.4	24.9	25.7	19.3	26.2	24.9
Workers providing personal services	9.9	10.4	12.3	14.0	11.8	13.7	11.8	12.7	12.1	13.3	12.1	10.3	12.5	16.1
Manual groups in the primary sector	16.5	14.4	10.6	15.5	16.4	30.4	24.4	17.8	48.3	38.7	30.3	47.0	36.8	27.9
<u>Total</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

	<u>Brazil</u>			<u>Peru</u>			<u>Ecuador</u>			<u>Honduras</u>			<u>Bolivia</u>	
	1960	1970	1980	1960	1970	1981	1962	1974	1982	1961	1974	1983	1950	1976
Non-manual groups	15.2	19.8	27.3	19.1	24.1	32.3	14.6	20.1	27.9	11.0	21.0	25.1	7.6	21.5
Manual groups in the secondary and tertiary sectors	22.9	23.4	29.3	21.4	24.3	19.1	21.3	23.6	27.9	11.2	19.5	21.5	13.3	23.9
Workers providing personal services	7.2	10.2	12.7	9.5	8.5	8.0	7.0	7.5	7.0	8.5	6.7	11.0	6.5	6.8
Manual groups in the primary sector	54.7	46.5	30.7	50.2	43.2	40.6	57.1	48.8	37.2	69.3	52.8	42.4	72.6	49.0
<u>Total</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Source: ECLAC, on the basis of special computations from census samples.

a/ Excluding the residual category "miscellaneous".

Table 2

LATIN AMERICA (SELECTED COUNTRIES): THE DUAL DEMOGRAPHIC AND  
OCCUPATIONAL TRANSITION TO MODERNITY

	Period when EAP ceased to be predominantly agricultural	Annual growth rate of population		Period when EAP reached its rate of maximum annual growth	Maximum rate of growth of EAP	Present growth rate of EAP (1980-1985)
		1960-1965	1980-1985			
<u>Countries in which transition was early</u>						
Argentina	Nineteenth century	1.6	1.6	Before 1950	...	1.2
<u>Countries in which transition has been recent and rapid</u>						
Panama	1950-1960	3.0	2.2	1975-1980	3.7	3.1
Brazil	1960-1970	3.0	2.3	1965-1980	3.1	2.6
Ecuador	1960-1970	3.2	2.9	1975-1985	3.5	3.5
<u>Countries in which transition is incipient</u>						
Honduras	1970-1980	3.5	3.4	Future	...	3.8
Bolivia	1970-1980	2.3	2.7	Future	...	2.6

Source: ECLAC, Statistical Yearbook for Latin America and the Caribbean, 1985.

Table 3

LATIN AMERICA (SELECTED COUNTRIES): ECONOMICALLY ACTIVE YOUNG ADULTS  
WITH POST-PRIMARY EDUCATION BY SOCIAL GROUP

Economically active population (24-34)	Argentina <u>a/</u>		Brazil <u>b/</u>		Ecuador <u>c/</u>		Honduras <u>c/</u>		Panama <u>c/</u>	
	1960	1980	1960	1980	1962	1982	1961	1983	1960	1980
1. <u>Non-manual d/</u>										
Percentage of EAP between 25 and 34 years of age	39.8	45.9	18.8	32.4	17.3	36.1	13.5	30.4	26.8	42.4
Percentage with 7 and + years of study	47.4	89.6	59.1	79.9	50.0	82.4	72.2	79.5	79.5	88.7
2. <u>Sector of formal workers e/</u>										
Percentage with 7 and + years of study	9.6	20.8	13.0	26.3	13.7	35.0	5.1	7.6	41.6	47.8
3. <u>Informal urban sector f/</u>										
Percentage with 7 and + years of study	14.0	27.4	13.1	23.8	11.1	33.2	4.4	6.0	44.6	47.5
4. <u>Peasants g/</u>										
Percentage with 7 and + years of study	3.2	12.1	2.1	4.0	1.7	3.6	0.2	0.6	0.7	6.7
5. <u>Agricultural wage-earners</u>										
Percentage with 7 and + years of study	2.0	5.0	1.3	3.1	1.5	7.6	1.5	1.5	3.2	11.6

Source: ECLAC, on the basis of special computations drawn from census samples.

a/ Eight years of study or more.

b/ Five years of study or more.

c/ 25-29 years of age.

d/ Employers, managers, professionals, office workers and sales personnel.

e/ Wage-earning artisans, workers, farm workers and workers providing personal services.

f/ Unsalaries own-account and family artisans, workers, farm workers, workers providing personal services and street vendors.

g/ Unsalaries own-account and family farmers.

Table 4

## LATIN AMERICA: HOUSEHOLD INCOME DISTRIBUTION IN THE REGION AS A WHOLE AROUND 1960, 1970 AND 1975

Income strata	Share of total income			Income per household <sup>a/</sup> (in dollars at 1970 prices)			Increase in income per household				Total increase by stratum (millions of dollars at 1970 prices)		Increase in each stratum as a percentage of the total increase	
	1960	1970	1975	1960	1970	1975	Percentage		In dollars at 1970 prices		1960-1970	1970-1975	1960-1970	1970-1975
							1960-1970	1970-1975	1960-1970	1970-1975				
Poorest 20%	2.8	2.1	2.3	334	294	394	-12.0	34.0	-40	100	494.1	1 409.9	1.0	3.2
Next 20%	5.9	5.0	5.4	707	715	902	1.1	26.2	8	187	1 871.2	2 855.1	5.7	6.1
Poorest 40%	8.7	7.1	7.7	520	505	648	-2.9	28.3	-15	143	2 365.3	4 265.0	4.7	9.3
30% above the poorest 40%	18.6	17.4	18.1	1 483	1 660	2 023	11.9	21.9	177	363	8 030.4	8 840.1	15.7	20.0
20% below the richest 10%	26.1	27.5	26.9	3 110	3 922	4 497	26.1	11.7	812	575	15 143.5	11 026.5	29.7	25.0
Richest 10%	46.6	48.0	47.3	11 142	13 677	15 829	22.8	15.7	2 535	2 152	25 476.7	19 981.0	49.9	43.3
<u>Total</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>2 389</u>	<u>2 952</u>	<u>3 349</u>	<u>19.4</u>	<u>17.4</u>	<u>463</u>	<u>495</u>	<u>51 015.9</u>	<u>54 212.7</u>	<u>100.0</u>	<u>116.0</u>

Source: ECLAC estimates based on national surveys for seven countries (Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela).

<sup>a/</sup> Corresponds to the estimated available income per household based on the national accounts of each country.

Table 5

## LATIN AMERICA (SELECTED COUNTRIES): PERCENTAGE OF POVERTY

Percentage of poverty as a percentage of total population	1970			1980		
	<u>Percentage of poverty</u>			<u>Percentage of poverty</u>		
	Total	Urban	Rural	Total	Urban	Rural
<u>Below 10%</u>						
Argentina	8	5	18	8	6	18
<u>Between 16% and 20%</u>						
Costa Rica	23	15	28	23	20	25
Chile	17	14	26	16	14	25
Mexico	25	18	34	22	17	31
Venezuela	26	20	33	24	19	38
<u>Between 37% and 65%</u>						
Panama	41	29	52	37	29	47
Colombia	45	41	52	43	39	51
Brazil	49	36	66	43	33	60
Peru	50	32	74	49	30	80
Honduras	64	46	74	65	42	80
<u>Total for Latin America</u>	<u>40</u>	<u>30</u>	<u>56</u>	<u>37</u>	<u>29</u>	<u>51</u>

Source: ECLAC, "La pobreza en América Latina: discusiones y políticas", Estudios e Informes de la CEPAL Series, No. 54, Santiago, Chile, 1985, table 8, p. 46.  
 CELADE. Boletín Demográfico, year XIV, No. 28, Santiago, Chile, July 1981.

Table 6

LATIN AMERICA: SEGMENTATION OF THE ECONOMICALLY ACTIVE POPULATION  
AND THE EXTENT OF UNDEREMPLOYMENT, 1950-1980

(Percentages)

		Share of the total economically active population							
		Non-agricultural			Agricultural			Minim.	Under employment
		Formal	Informal	Total	Modern	Tradit- ional	total		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(2)+(5)		
<u>Latin America</u>	1950	30.6	13.5	44.1	22.1	32.6	54.7	1.2	46.1
	1980	47.7	19.4	67.1	13.2	10.0	32.1	0.6	38.7
<u>Group A</u>	1950	26.4	12.2	38.6	22.4	38.0	60.4	1.0	50.2
	1980	40.2	10.6	50.8	14.1	10.4	32.5	0.7	37.0
<u>Brazil</u>	1950	28.5	10.7	39.2	22.5	37.6	60.1	0.7	49.3
	1980	51.6	16.5	68.1	12.4	18.5	31.3	0.5	35.4
<u>Colombia</u>	1950	23.9	15.3	39.2	26.2	33.0	59.2	1.6	40.3
	1980	42.6	22.3	64.9	15.8	18.7	34.5	0.6	41.0
<u>Costa Rica</u>	1950	29.7	12.3	42.0	37.3	20.4	57.7	0.3	32.7
	1980	54.2	15.3	69.5	20.5	9.6	30.3	0.2	25.1
<u>Mexico</u>	1950	21.6	12.9	34.5	20.4	37.0	69.4	1.1	56.9
	1980	39.5	22.0	61.5	19.2	10.1	37.6	0.9	40.0
<u>Panama</u>	1950	34.9	11.8	46.7	6.2	47.6	53.2	0.1	58.0
	1980	51.6	14.8	66.4	11.4	22.0	33.4	0.2	36.4
<u>Venezuela</u>	1950	34.7	16.4	51.1	23.3	22.5	45.8	3.1	31.9
	1980	60.9	18.5	79.4	5.5	12.6	19.1	1.5	31.1
<u>Group B</u>	1950	17.1	14.9	32.0	23.2	43.0	66.2	1.0	57.9
	1980	29.1	21.8	50.9	12.0	35.9	47.9	1.2	57.7
<u>Bolivia</u>	1950	9.1	15.0	24.1	19.0	53.7	72.7	3.2	64.7
	1980	17.9	21.2	41.1	8.2	50.9	58.1	2.0	70.1
<u>Ecuador</u>	1950	21.5	11.7	33.2	27.4	39.0	66.4	0.4	50.7
	1980	25.6	20.6	54.2	12.1	31.4	45.5	0	62.0
<u>El Salvador</u>	1950	18.5	13.7	32.2	32.5	35.0	67.5	0.3	44.7
	1980	28.5	18.4	47.5	22.3	30.1	52.4	0.1	49.0
<u>Guatemala</u>	1950	16.5	14.0	30.6	20.6	45.7	69.3	0.1	42.7
	1980	23.8	18.0	42.7	19.4	77.8	97.2	0.1	56.7
<u>Peru</u>	1950	19.1	16.9	36.0	21.0	39.4	61.3	2.7	56.3
	1980	37.7	19.8	57.5	11.9	31.0	40.7	1.8	51.6
<u>Group C</u>	1950	54.0	16.6	70.6	20.4	7.6	28.0	1.4	24.2
	1980	61.5	21.4	82.9	9.2	7.9	16.2	0.9	24.4
<u>Argentina</u>	1950	50.0	15.2	65.2	19.9	7.6	27.5	0.5	22.8
	1980	63.5	21.4	84.9	7.8	6.0	13.6	0.5	20.7
<u>Chile</u>	1950	40.0	22.1	62.1	23.1	8.9	32.0	5.1	31.0
	1980	55.5	21.7	77.2	13.2	7.4	20.6	2.2	29.1
<u>Uruguay</u>	1950	63.3	14.5	77.8	17.3	4.7	22.0	0.2	19.2
	1980	63.3	19.0	82.3	9.5	8.0	17.5	0.2	23.0

Table 7  
**LATIN AMERICA: MAIN ECONOMIC INDICATORS<sup>a</sup>**

Indicators	1980	1981	1982	1983	1984	1985	1986 <sup>b</sup>
Gross domestic product at market prices (index base year 1980 = 100)	100.0	100.5	99.0	96.6	99.7	102.4	105.9
Population (millions of inhabitants)	355	363	372	380	389	398	406
Per capita gross domestic product (index base year 1980 = 100)	100.0	98.1	94.5	90.1	90.9	91.3	92.4
<b>Growth rates</b>							
Gross domestic product	5.3	0.5	-1.4	-2.4	3.2	2.7	3.4
Per capita gross domestic product	2.8	-1.9	-3.7	-4.7	0.9	0.4	1.2
Consumer prices <sup>c</sup>	56.1	57.6	84.8	131.1	185.2	275.3	69.1
Terms of trade (goods)	4.3	-5.8	-9.0	1.1	6.5	-5.0	-8.7
Purchasing power of exports of goods	10.3	1.9	-7.6	10.1	13.3	-4.8	-9.7
Current value of exports of goods	32.3	7.6	-8.8	0.1	11.7	-5.9	-14.8
Current value of imports of goods	34.9	8.1	-19.8	-28.5	4.0	0.3	2.4
<b>Billions of dollars</b>							
Exports of goods	89.1	95.9	87.4	87.5	97.7	92.0	78.3
Imports of goods	90.4	97.6	78.3	56.0	58.3	58.5	59.9
Trade balance (goods)	-1.3	-1.9	9.1	31.5	39.4	33.5	18.4
Net payments of profits and interest	17.9	27.2	38.7	34.3	36.2	35.3	30.7
Balance on current account <sup>d</sup>	-28.3	-40.3	-41.0	-7.6	-0.2	-4.0	-14.2
Net movement of capital <sup>e</sup>	29.4	37.5	20.0	3.2	9.2	2.4	8.6
Global balance <sup>f</sup>	1.4	-2.8	-21.0	-4.4	9.0	-1.6	-5.6
Total gross external debt <sup>g</sup>	230.4	287.8	330.7	350.8	366.9	373.2	382.1

Source: ECLAC, on the basis of official data.

<sup>a</sup>The figures for the gross domestic product and consumer prices refer to the group formed by the countries included in table 2, except Cuba (23 countries) and in table 4, respectively. The data on the external sector relate to the 19 countries mentioned in the table "Latin America: Balance of Payments". <sup>b</sup>Provisional estimates subject to revision. <sup>c</sup>Variation from December to December. <sup>d</sup>Includes net unrequited private transfer payments. <sup>e</sup>Includes long and short-term capital, official unrequited transfer payments and errors and omissions. <sup>f</sup>Relates to the variation in international reserves (of reverse sign) plus counterpart items. <sup>g</sup>See notes to table "Latin America: Total disbursed external debt" included in the text.

Table 8

## LATIN AMERICA: EVOLUTION OF PER CAPITA GROSS DOMESTIC PRODUCT

Country	Annual growth rates						Cumulative variation
	1981	1982	1983	1984	1985	1986 <sup>a</sup>	1981-1986 <sup>a</sup>
<b>Latin America (excluding Cuba)</b>	-1.9	-3.7	-4.7	0.9	0.4	1.2	-7.6
<b>Oil-exporting countries</b>	2.8	-2.9	-8.1	-0.2	-0.8	-4.4	-13.1
Bolivia	-2.3	-5.4	-9.0	-3.5	-4.4	-6.3	-27.3
Ecuador	0.8	-1.8	-4.0	1.5	1.4	-1.2	-3.3
Mexico	5.4	-2.6	-7.6	0.9	0.1	-6.3	-10.4
Peru	1.3	-2.5	-14.2	1.2	-1.0	5.9	-10.1
Trinidad and Tobago	-0.8	-0.5	-10.6	-7.6	-4.2	...	...
Venezuela	-3.9	-4.1	-8.2	-3.7	-3.2	-1.0	-21.9
<b>Non-oil-exporting countries</b>	-4.5	-4.2	-2.6	1.5	1.1	4.3	-4.6
Argentina	-8.2	-7.8	1.4	0.6	-5.9	3.9	-15.5
Barbados	-2.7	-5.9	-0.4	2.4	-0.6	...	...
Brazil	-4.2	-0.8	-4.8	2.6	5.9	5.7	4.0
Colombia	0.1	-1.1	-0.3	1.4	0.4	3.0	3.6
Costa Rica	-5.0	-9.7	0.0	5.1	-1.7	0.4	-11.0
Cuba <sup>b</sup>	15.3	3.0	3.9	6.3	3.7	1.5	38.1
Chile	3.5	-14.5	-2.2	4.3	0.7	3.2	-6.2
El Salvador	-9.6	-6.5	-0.2	0.5	0.1	-1.8	-16.7
Guatemala	-1.8	-6.1	-5.4	-2.8	3.7	-2.8	-20.7
Guyana	-2.6	-12.6	-12.0	3.9	-0.1	...	...
Haiti	-4.4	-5.2	-1.1	-1.4	1.6	-3.2	-13.1
Honduras	-2.4	-4.9	-3.9	-0.3	-1.8	-1.2	-13.8
Jamaica	1.1	-1.5	-0.2	-1.4	-6.7	...	...
Nicaragua	2.0	-4.4	1.3	-4.8	5.9	-3.1	-14.1
Panama	1.7	2.7	-2.2	-2.5	1.1	0.6	1.3
Paraguay	5.3	-4.0	-6.0	0.0	0.9	-1.9	-6.0
Dominican Republic	1.5	-1.1	1.9	-1.9	-4.3	-1.6	-5.4
Uruguay	0.9	-10.3	-7.0	-3.2	-0.2	4.2	-15.3

Source: ECLAC, on the basis of official figures for the gross domestic product. The population figures are taken from CEHLADE estimates published in *Boletín Demográfico Vol. XIX*, No. 38, July 1986

<sup>a</sup>Provisional estimates subject to revision.

<sup>b</sup>Refers to total social product

Table 9  
**LATIN AMERICA: URBAN UNEMPLOYMENT**  
*(Average annual rates)*

Country	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986 <sup>o</sup>
Argentina <sup>h</sup>	2.8	2.8	2.0	2.3	4.5	4.7	4.2	3.8	5.3	4.8
Bolivia <sup>c</sup>	...	...	...	5.8	9.7	10.9	13.0	15.5	18.0	20.0
Brazil <sup>d</sup>	...	6.8	6.4	6.3	7.9	6.3	6.7	7.1	5.3	3.8
Colombia <sup>e</sup>	9.0	9.0	8.9	9.7	8.2	9.3	11.8	13.5	14.1	14.2
Costa Rica <sup>f</sup>	5.1	5.8	5.3	6.0	9.1	9.9	8.6	6.6	6.7	6.7
Chile <sup>g</sup>	13.9	13.7	13.4	11.8	9.0	20.0	18.9	18.5	17.2	13.4
Ecuador <sup>h</sup>	...	...	5.4	5.7	6.0	6.3	6.7	10.6	10.4	12.0
Guatemala <sup>h</sup>	...	...	...	2.2	2.7	4.7	7.6	9.7	12.9	...
Honduras <sup>h</sup>	...	...	...	8.8	9.0	9.2	9.5	10.7	11.7	...
Mexico <sup>i</sup>	8.3	6.9	5.7	4.5	4.2	4.1	6.7	6.0	4.8	...
Nicaragua <sup>j</sup>	...	...	...	22.4	19.0	19.9	18.9	21.1	22.3	21.7
Panama <sup>k</sup>	...	9.6	11.6	9.8	11.8	10.3	11.5	11.0	11.8	9.0
Paraguay <sup>l</sup>	3.7	3.1	2.6	2.1	4.6	9.4	15.0	12.5	8.0	8.0
Peru <sup>m</sup>	9.4	10.4	11.2	10.9	10.4	10.6	9.2	10.9	11.8	10.6
Trinidad and Tobago <sup>m</sup>	...	11.8	11.0	9.9	10.4	9.9	11.1	13.4	15.3	...
Uruguay <sup>n</sup>	11.8	10.1	8.3	7.4	6.7	11.9	15.5	14.0	13.1	11.0
Venezuela <sup>o</sup>	5.5	5.1	5.8	6.6	6.8	7.8	10.5	14.3	14.3	11.8

Source: ECLAC and PREALC, on the basis of official data.

<sup>a</sup>Preliminary figures. <sup>b</sup>Federal Capital and Greater Buenos Aires. Average for April and October; 1986, June. <sup>c</sup>Whole country. <sup>d</sup>Metropolitan areas of Rio de Janeiro, Sao Paulo, Belo Horizonte, Porto Alegre, Salvador and Recife: average for 12 months; 1980, average June-December; 1986 average January-October. <sup>e</sup>Bogotá, Barranquilla, Medellín and Cali: average for March, June, September and December; 1986 average for April, June and September. <sup>f</sup>National urban. Average for March, July and November; 1984, average March and November; 1986 average March and July. <sup>g</sup>Greater Santiago. Average for four quarters. As from August 1983 data relate to the Metropolitan Region of Santiago. <sup>h</sup>Whole country. Official estimates. <sup>i</sup>Metropolitan areas of Mexico City, Guadalajara and Monterrey, average for twelve months. 1986: average January-August. <sup>j</sup>National average. <sup>k</sup>National urban, August of each year. 1980 corresponds to unemployment in urban area registered by national census taken in February of that year; 1981 corresponds to metropolitan area. <sup>l</sup>Non-agricultural activities. <sup>m</sup>Whole country, average for two half-years; 1978, average for July and December; 1980, average for August and December, and 1985, average for January and June. <sup>n</sup>Montevideo, average for two half-years. As from 1981, average for four quarters; 1986, average January-November. <sup>o</sup>National urban, average for two semesters; 1986, first semester (official estimate).

Table 10  
**LATIN AMERICA: EVOLUTION OF CONSUMER PRICES**  
*(Variations from December to December)*

Country	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986 <sup>a</sup>
<b>Latin America<sup>b</sup></b>	<b>40.0</b>	<b>39.0</b>	<b>54.1</b>	<b>56.1</b>	<b>57.6</b>	<b>84.8</b>	<b>131.1</b>	<b>185.2</b>	<b>275.3</b>	<b>69.1</b>
Argentina	150.4	169.8	139.7	87.6	131.2	208.7	433.7	688.0	385.4	79.2 <sup>c</sup>
Barbados	9.9	11.3	16.8	16.1	12.3	6.9	5.5	5.1	2.4	1.5 <sup>d</sup>
Bolivia	10.5	13.5	45.5	23.9	25.2	296.5	328.5	2 177.2	8 170.5	92.6 <sup>e</sup>
Brazil	43.1	38.1	76.0	95.3	91.2	97.9	179.2	203.2	228.0	70.5 <sup>f</sup>
Colombia	29.3	17.8	29.8	26.5	27.5	24.1	16.5	18.3	22.3	19.6 <sup>g</sup>
Costa Rica	5.3	8.1	13.2	17.8	65.1	81.7	10.7	17.3	11.1	13.8 <sup>h</sup>
Chile	63.5	30.3	38.9	31.2	9.5	20.7	23.6	23.0	26.4	17.1 <sup>i</sup>
Ecuador	9.8	11.8	9.0	14.5	17.9	24.3	52.5	25.1	24.4	27.5 <sup>j</sup>
El Salvador	14.9	14.6	14.8	18.6	11.6	13.8	15.5	9.8	30.8	32.4 <sup>k</sup>
Guatemala	7.4	9.1	13.7	9.1	8.7	-2.0	15.4	5.2	31.5	41.7 <sup>l</sup>
Guyana	9.0	20.0	19.4	8.5	29.0	19.3	9.6	...	...	...
Haiti	5.5	5.5	15.4	15.3	16.4	4.9	11.2	5.4	17.4	3.8 <sup>m</sup>
Honduras	7.7	5.4	22.5	11.5	9.2	8.8	7.2	3.7	4.2	4.1 <sup>n</sup>
Jamaica	14.1	49.4	19.8	28.6	4.8	7.0	16.7	31.2	23.9	11.9 <sup>o</sup>
Mexico	20.7	16.2	20.0	29.8	28.7	98.8	80.8	59.2	63.7	103.7 <sup>p</sup>
Nicaragua	10.2	4.3	70.3	24.8	23.2	22.2	32.9	50.2	334.3	777.6 <sup>q</sup>
Panama	4.8	5.0	10.0	14.4	4.8	3.7	2.0	0.9	0.4	0.1 <sup>r</sup>
Paraguay	9.4	16.8	35.7	8.9	15.0	4.2	14.1	29.8	23.1	26.9 <sup>s</sup>
Peru	32.4	73.7	66.7	59.7	72.7	72.9	125.1	111.5	158.3	60.2 <sup>t</sup>
Dominican Republic	8.5	1.8	25.6	4.6	7.3	7.2	7.7	38.1	28.4	6.2 <sup>u</sup>
Trinidad and Tobago	11.4	8.8	19.5	16.6	11.6	10.8	15.4	14.1	6.6	8.7 <sup>v</sup>
Uruguay	57.3	46.0	83.1	42.8	29.4	20.5	51.5	66.1	83.0	74.9 <sup>w</sup>
Venezuela	8.1	7.1	20.5	19.6	11.0	7.3	7.0	18.3	5.7	12.0 <sup>x</sup>

Source: ECLAC, on the basis of official price indexes supplied by the countries, supplemented in some cases by figures published in International Monetary Fund, *International Financial Statistics*, November 1986.

<sup>a</sup>Preliminary figures. <sup>b</sup>The totals for Latin America correspond to the variations for the individual countries, weighted by the respective population in each year. <sup>c</sup>Corresponds to variation between November 1985 and November 1986. <sup>d</sup>Corresponds to variation between July 1985 and July 1986. <sup>e</sup>Corresponds to variation between October 1985 and October 1986. <sup>f</sup>Corresponds to variation between August 1985 and August 1986. <sup>g</sup>Corresponds to variation between September 1985 and September 1986. <sup>h</sup>Corresponds to variation between June 1985 and June 1986.

Table 11  
LATIN AMERICA: TOTAL DISBURSED EXTERNAL DEBT<sup>a</sup>

Country	End-of-year balance in millions of dollars						Annual growth rates				
	1981	1982	1983	1984	1985	1986 <sup>b</sup>	1979-1981	1982-1983	1984	1985	1986 <sup>b</sup>
<b>Latin America</b>	287 758	330 708	350 806	366 892	373 200	382 080	22.9	10.4	4.6	1.7	2.4
<b>Oil-exporting countries</b>	126 489	142 690	152 185	155 154	156 289	161 060	25.0	9.7	2.0	0.7	3.1
Bolivia <sup>c</sup>	2 622	2 502	3 156	3 281	3 355	3 340	12.9	9.7	4.0	2.3	-0.4
Ecuador	5 868	6 187	6 790	6 949	7 440	7 540	25.4	7.6	2.3	7.1	1.3
Mexico	74 900	87 600	93 800	96 700	97 800	100 000	30.2	11.9	3.1	1.1	2.2
Peru	9 688	11 340	12 442	13 389	13 794	14 300	1.3	13.3	7.6	3.0	3.7
Venezuela <sup>d</sup>	33 411	35 061	35 997	34 835	33 900	35 880	25.9	3.8	-3.2	-2.7	5.8
<b>Non-oil-exporting countries</b>	161 269	188 018	198 621	211 738	216 911	221 020	21.3	11.0	6.6	2.4	1.9
Argentina	35 671	43 634	45 087	46 903	48 312	50 300	41.9	12.4	4.0	3.0	4.1
Brazil <sup>e</sup>	79 946	91 035	95 520	102 039	101 920	101 750	14.4	9.3	6.8	-0.1	-0.2
Colombia	7 885	9 410	10 405	11 551	12 831	13 430	25.0	14.9	11.0	11.1	4.7
Costa Rica	3 360	3 497	3 848	3 955	4 084	4 000	21.6	7.0	2.8	3.3	-2.1
Chile	15 591	17 159	18 037	19 669	20 413	20 690	30.5	7.6	9.0	3.8	1.4
El Salvador	1 471	1 710	1 891	1 949	2 003	2 120	14.3	13.4	3.1	2.8	5.8
Guatemala	1 305	1 560	2 130	2 463	2 644	2 530	16.7	27.8	15.6	7.3	-4.3
Haiti <sup>f</sup>	372	410	551	607	599	680	22.8	21.7	10.2	-1.3	13.5
Honduras	1 708	1 986	2 162	2 392	2 615	2 880	20.7	12.5	10.6	9.3	10.1
Nicaragua	2 566	3 139	3 788	3 901	4 616	5 260	20.5	21.5	3.0	18.3	14.0
Panama	5 047	5 960	5 924	6 537	6 500	6 450	9.0	8.3	10.3	-0.6	-0.1
Paraguay	949	1 204	1 469	1 654	1 773	1 890	12.4	24.4	12.6	7.2	6.6
<b>Dominican Republic</b>	2 286	3 076	3 237	3 447	3 701	4 050	19.8	19.0	6.5	7.4	9.4
<b>Uruguay</b>	3 112	4 238	4 572	4 671	4 900	4 990 <sup>g</sup>	35.9	21.2	2.2	4.9	2.7 <sup>h</sup>

Source: ECLAC, on the basis of official data.

<sup>a</sup>Including debts with IMF.

<sup>b</sup>Preliminary figures.

<sup>c</sup>Total medium- and long-term debt.

<sup>d</sup>Public debt, plus

non-guaranteed long- and short-term debt with financial institutions reporting to the Bank for International Settlements.

<sup>e</sup>Total medium- and long-term, debt, plus short-term debt according to World Bank data. As from 1984, corresponds to total debt according to official data.

<sup>f</sup>Public debt.

<sup>g</sup>Figures at 30.6.86. Rate corresponds to period 30.6.85/30.6.86

Table 12  
**LATIN AMERICA: RATIO OF TOTAL INTEREST PAYMENTS TO  
 EXPORTS OF GOODS AND SERVICES<sup>a</sup>**

(Percentages)

Country	1978	1979	1980	1981	1982	1983	1984	1985	1986 <sup>b</sup>
<b>Latin America</b>	15.7	17.6	20.2	28.0	41.0	36.0	35.6	35.2	35.1
<b>Oil-exporting countries</b>	16.1	15.7	16.6	22.6	35.6	31.4	32.5	32.3	36.5
Bolivia	13.7	18.6	25.0	34.5	43.4	39.8	49.8	46.8	46.7
Ecuador	10.4	13.6	18.3	24.3	30.0	27.4	30.7	27.0	32.2
Mexico	24.0	24.5	23.3	29.0	47.3	37.5	39.0	36.0	40.0
Peru	21.2	15.5	16.0	24.1	25.1	29.8	33.2	30.0	27.3
Venezuela	7.2	6.9	8.1	12.7	21.0	21.6	20.1	26.3	33.3
<b>Non-oil-exporting countries</b>	15.5	19.3	23.7	33.6	46.7	40.7	38.7	37.9	34.2
Argentina	9.6	12.8	22.0	35.5	53.6	58.4	57.6	51.1	51.8
Brazil	24.5	31.5	34.1	40.4	57.1	43.5	39.7	40.0	37.7
Colombia	7.5	9.9	11.8	21.9	25.9	26.7	22.8	26.3	18.6
Costa Rica	9.9	12.8	18.0	28.0	36.1	33.0	26.6	27.3	22.7
Chile	16.9	16.5	19.3	38.8	49.5	38.9	48.0	43.5	39.2
El Salvador	5.3	5.7	5.9	7.8	11.9	12.2	12.3	12.6	10.3
Guatemala	3.7	3.2	5.3	7.6	7.8	8.7	12.3	14.9	14.9
Haiti	2.8	3.2	2.1	2.7	2.4	2.4	5.3	4.2	5.7
Honduras	8.2	8.6	10.6	14.4	22.4	16.4	15.8	15.3	12.7
Nicaragua	9.3	9.7	17.8	21.9	32.1	14.3	12.1	13.0	25.8
Paraguay	8.4	10.7	13.4	14.8	13.5	14.3	10.1	8.3	10.1
Dominican Republic	14.0	14.3	14.8	19.1	22.7	24.5	18.1	22.2	27.1
Uruguay	10.4	9.0	11.0	12.9	22.4	24.8	34.8	34.2	23.8

Source: 1978-1986: ECLAC, on the basis of official data.

<sup>a</sup>Interest payments include those on the short-term debt.

<sup>b</sup>Preliminary estimates subject to revision

Table 13

## LATIN AMERICA: NET INFLOW OF CAPITAL AND TRANSFERS OF RESOURCES

*(Billions of dollars and percentages)*

Year	Net inflow of capital	Net payments of profits and interest	Transfers of resources (3)=(1)-(2)	Exports of goods and services	Transfers of resources/ exports of goods and services <sup>a</sup> (5)=(3)/(4)
	(1)	(2)	(3)	(4)	(5)
1973	7.9	4.2	3.7	28.9	12.8
1974	11.4	5.0	6.4	43.6	14.7
1975	14.3	5.6	8.7	41.1	21.2
1976	17.9	6.8	11.1	47.3	23.5
1977	17.2	8.2	9.0	55.9	16.1
1978	26.2	10.2	16.0	61.3	26.1
1979	29.1	13.6	15.5	82.0	18.9
1980	29.4	17.9	11.5	107.6	10.7
1981	37.5	27.1	10.4	116.1	9.0
1982	20.0	38.7	-18.7	103.2	-18.1
1983	3.2	34.3	-31.2	102.4	-30.5
1984	9.2	36.2	-27.0	114.1	-23.7
1985	2.4	35.3	-32.9	109.0	-30.2
1986 <sup>b</sup>	8.6	30.7	-22.1	95.2	-23.2

Source: 1973-1985: ECLAC, on the basis of data supplied by the IMF; ECLAC, on the basis of official figures.  
<sup>a</sup>Percentages. <sup>b</sup>Preliminary estimates subject to revision.

Table 14

## LATIN AMERICA: EMPLOYMENT DYNAMICS, 1980-1985 a/

	1980-1985		1980-1983		1983-1985	
	Cumulative annual rate	Variation between extremes	Cumulative annual rate	Variation between extremes	Cumulative annual rate	Variation between extremes
Economically active population	3.4	18.4	3.5	10.8	3.4	6.9
Total population in employment	3.2	16.8	2.8	8.6	3.7	7.6
Total non-agricultural population in employment	3.3	17.8	3.2	9.9	3.5	7.2
Unemployment	8.1	47.9	14.9	51.8	-1.3	-2.6
Informal urban sector	6.8	38.8	6.9	22.3	6.5	13.5
Formal urban sector	2.0	10.4	1.6	5.0	2.5	5.1
a) Public sector	4.6	25.1	4.6	14.4	4.6	9.4
b) Private sector	1.2	6.3	0.7	2.1	2.0	4.1
i) Large firms b/	(-0.5)	(-2.5)	(-2.9)	(-8.4)	(3.2)	(6.4)
ii) Small firms	(6.6)	(37.5)	(10.4)	(34.4)	(1.2)	(2.3)
Employment in manufacturing industry	-2.2	-10.5	-4.8	-13.7	0.2	0.4
Employment-industrial product elasticity c/	5.5		1.50		0.05	

Source: PREALC, on the basis of household surveys in each country.

a/ Weighted average based on 9 countries. Including Argentina, Brazil, Chile, Colombia, Costa Rica, Guatemala, Mexico, Peru and Venezuela.

b/ Firms with more than 10 employees. Weighted average in Brazil, Mexico and Venezuela.

c/ The method of calculation and the periods are different from those in table 4.

Table 15

LATIN AMERICA: EVOLUTION OF REAL WAGES, 1980-1985 a/

	1980-1985	1980-1983	1983-1985
Wages in manufacturing industry	-12.2	-5.5	-6.0
Minimum urban wages	-16.3	-9.3	-7.7
Wages in construction	-17.8	-6.7	-11.9
Wages in the public sector	-17.1	-13.8	-3.8
Agricultural wages	-15.2	-10.2	-5.6

Source: PREALC, on the basis of information from each country.

a/ Variations between extreme years in the simple averages of 12 countries for industrial wages, 18 for minimum wages, 14 for wages in construction, 9 for wages in the public sector and 16 for agricultural wages.

Table 16

INCOME DISTRIBUTION a/

Percentile of households according to per capita income	Brazil São Paulo region			Colombia 7 main cities			Costa Rica National <u>b/</u>		
	1977	1982	1985	1979	1982	1985	1979	1982	1985
1 - 10	1.9	2.0	1.9	0.8	0.8	1.1	2.2	2.6	2.8
11 - 20	2.9	3.1	2.9	1.4	2.1	2.8	4.0	4.3	4.6
21 - 30	3.8	4.2	4.1	3.7	3.2	3.9	4.9	5.4	5.8
31 - 40	4.8	5.1	4.9	4.7	4.0	4.8	6.0	6.7	6.8
41 - 50	5.6	5.9	6.0	5.5	5.4	6.0	7.3	7.7	7.5
51 - 60	6.4	7.5	7.2	6.0	6.9	7.0	8.3	8.9	8.2
61 - 70	8.4	8.8	8.9	9.0	8.9	9.1	9.5	9.8	10.4
71 - 80	10.4	11.1	11.2	11.7	11.8	11.2	12.1	11.1	12.7
81 - 90	15.2	16.1	15.7	16.7	16.9	15.5	17.3	15.3	15.7
91 - 100	40.6	36.2	37.2	39.9	40.0	38.6	28.4	28.2	25.5
Coef. of concentration:									
- Gini	0.479	0.446	0.456	0.513	0.516	0.477	0.376	0.346	0.328
- Logarithmic variance	0.129	0.118	0.126	0.223	0.211	0.161	0.092	0.076	0.069
Average family income <u>c/</u>	2 615	2 530	2 458	44 107	50 689	44 029	16 469	9 970	13 260
Incidence of poverty (percentage of households)	12.4	9.5	10.8	48.7	44.8	41.3	17.3	29.4	15.4
Types of income	Total gross income			Primary cash income			Salaries and wages in cash		
Reference periods	October	October	October	August	August	Feb.	June	June	June

Table 16 (conclusion)

Percentile of households according to per capita income	Chile Greater Santiago			Panama Metropolitan area <sup>b/</sup>			Venezuela					
							Metropolitan area			Andean region		
	1981	1982	1985	1979	1982	1984	1978	1982	1985	1978	1982	1985
1 - 10	1.7	1.5	1.4	3.2	3.0	2.2	3.5	3.3	2.8	2.6	2.9	2.5
11 - 20	2.9	2.7	2.3	4.1	4.8	3.9	5.4	5.4	5.0	4.1	4.3	4.0
21 - 30	3.6	3.5	3.1	4.8	5.2	5.3	6.7	6.6	6.1	5.1	5.7	5.0
31 - 40	4.6	4.5	3.9	6.9	6.5	6.1	7.7	7.5	6.5	6.1	6.7	6.0
41 - 50	5.2	5.6	5.0	8.2	7.8	6.9	8.6	8.4	7.9	7.5	8.1	7.0
51 - 60	6.7	6.4	5.9	8.5	8.9	8.7	9.4	9.9	8.9	8.5	9.1	9.2
61 - 70	7.5	8.3	7.8	11.3	9.4	10.3	11.0	10.9	9.5	10.5	10.5	11.1
71 - 80	9.7	11.0	10.5	12.8	12.7	11.9	12.4	12.4	11.0	12.3	13.0	12.0
81 - 90	15.1	17.4	16.3	15.6	15.1	15.6	14.9	15.6	15.3	16.8	15.5	15.3
91 - 100	43.9	38.9	43.8	24.4	27.3	29.1	20.1	20.0	26.2	26.5	24.2	27.9
Coef. of concentration:												
- Gini	0.498	0.489	0.529	0.327	0.335	0.371	0.257	0.262	0.321	0.354	0.319	0.360
- Logarithmic variance	0.139	0.153	0.170	0.071	0.067	0.090	0.044	0.047	0.066	0.081	0.067	0.084
Average family income <sup>g/</sup>	54 045	50 347	34 979	622	586	602	9 794	7 928	8 139	4 161	3 895	3 373
Incidence of poverty (percentage of households)	12.0	16.0	20.2	18.8	14.8	20.3	2.3	3.2	5.0	31.2	26.8	36.9
Types of income	Primary cash income			Salaries and wages in cash			Primary cash income					
Reference periods	May	May	May	August	March	August	October	April	October	October	April	October

<sup>g/</sup> Percentage participation in total income.

<sup>b/</sup> Households with wage-earning heads.

<sup>g/</sup> Monthly income in national currency, at the last studied year's price. In the case of Brazil, income is given in thousands of cruzeiros.

Table 17

LATIN AMERICA: EVOLUTION OF THE ACTIVE POPULATION AND  
OF AGRICULTURAL PRODUCT

	1950-1960	1960-1970	1970-1980	1980-1983	1983-1985
<u>Average annual growth rates</u>					
1. Population active in agriculture	1.01	0.41	0.36	2.0 a/	4.1 a/
2. Agricultural product	3.5	3.5	3.6	1.86	3.76

Source: ECLAC, on the basis of official data.

a/ Population in employment, ECLAC, preliminary estimates, on the basis of official data.

Table 18

LATIN AMERICA: RATIO OF CALORIES AVAILABLE PER INHABITANT TO CALORY  
REQUIREMENTS, 1961-1963 TO 1981-1983

(Percentages)

	1961-1963	1969-1971	1974-1976	1979-1981	1981-1983
<u>Full supply</u>					
Argentina	132	139	138	137	134
Mexico	107	114	116	125	127
Paraguay	105	120	118	123	122
<u>Unstable supply</u>					
Uruguay	117	127	125	115	114
Chile	109	114	112	113	112
Venezuela	95	101	102	112	110
Colombia	96	92	100	108	110
Brazil	98	105	106	109	109
Costa Rica	94	103	109	110	109
Honduras	93	105	102	105	104
Dominican Republic	80	89	96	98	100
Limit a/	100	100	100	100	100
<u>Insufficient supply</u>					
Panama	95	100	99	95	98
Peru	94	97	96	93	90
<u>Critical supply</u>					
Guatemala	83	88	89	89	89
Ecuador	78	85	89	89	88
Bolivia	74	82	84	87	86
Haiti	85	82	82	81	81

Source: ECLAC, on the basis of official data.

a/ Supply of calories equals calory requirements (availability/calory requirements)\*100=100).

Table 19

## LATIN AMERICA: PER CAPITA PUBLIC EXPENDITURE ON EDUCATION

(Figures in dollars at constant 1980 prices)

Countries	1975	1980	1983	1984
Argentina	132	195	109	190
Bolivia	25	36	20	...
Brazil	50	68	57	...
Chile	74	110	94	93
Colombia	23	25	35	41
Costa Rica	125	159	90	107
Dominican Republic	23	27	26	22
Ecuador	35	77	45	48
El Salvador	27	29	21	...
Guatemala	16	21	17	17
Haiti	2	4	3	...
Honduras	20	21	24	...
Mexico	82	104	100	...
Nicaragua	24	23	28	41
Panama	93	87	97	101
Paraguay	14	18	23	22
Peru	40	35	28	27
Uruguay				
Venezuela	184	205	256	...
Latin America	65	84	73	78

Source: For public expenditure as a percentage of GNP: UNESCO, Statistical Yearbook, 1985.

For GNP in dollars at 1980 prices: ECLAC, on the basis of official data.

For total population: ECLAC, on the basis of official data.

Table 20

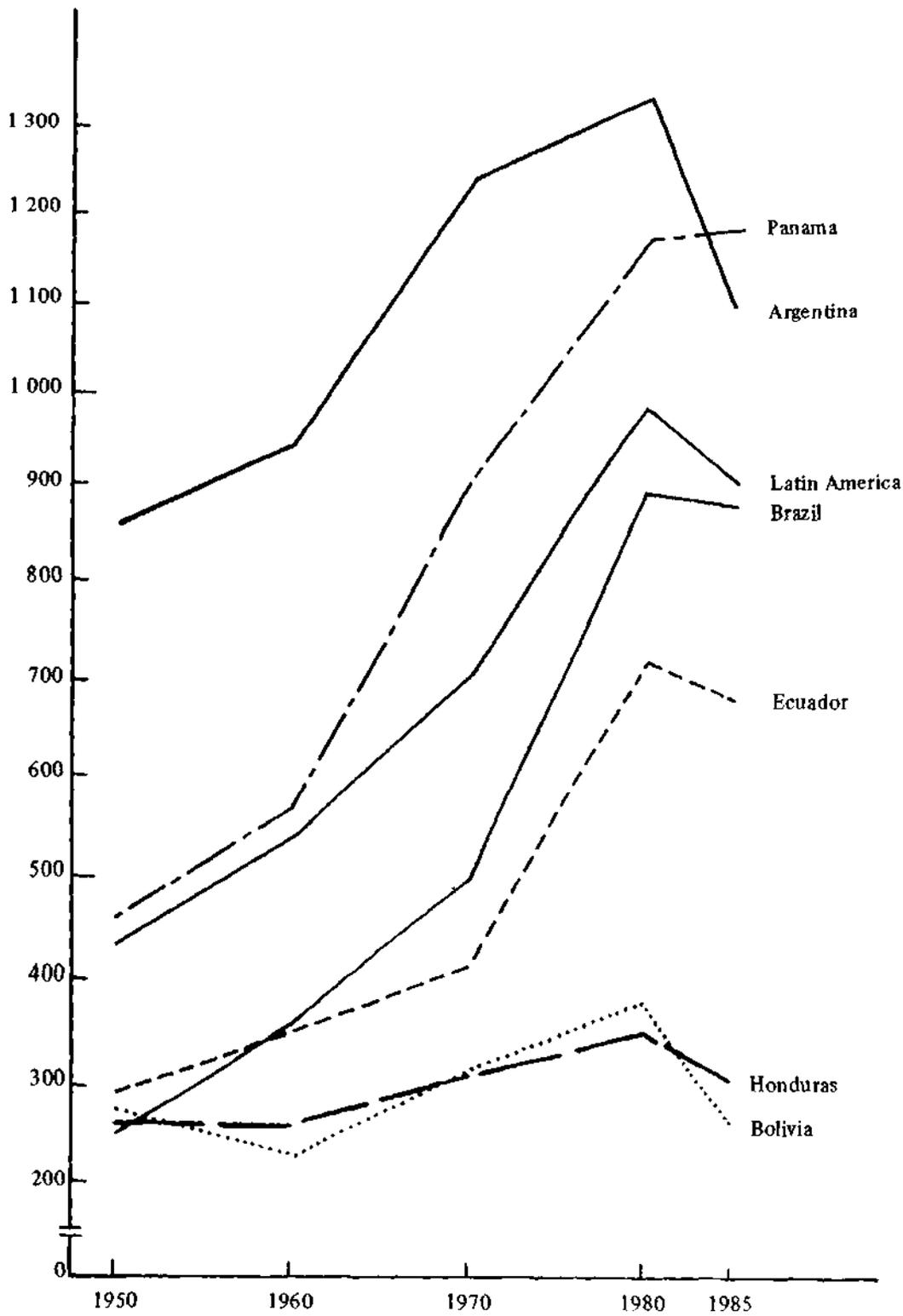
LATIN AMERICA: PROJECTIONS OF SCHOOL-AGE POPULATION  
(BOTH SEXES) BY AGE, 1950-2000

	1980	1985	1990	1995	2000
<b>Both sexes</b>					
<b>Total</b>	350 907 113	392 863 479	437 580 700	483 509 807	529 619 365
0 - 4	50 356 543	54 396 743	57 675 941	59 659 202	60 928 599
5 - 9	45 855 691	49 250 859	53 380 151	56 754 229	58 830 570
5	9 509 183	10 196 430	11 037 330	11 607 802	11 927 045
6	9 335 085	10 011 215	10 858 803	11 485 586	11 847 909
7	9 166 184	9 839 303	10 677 495	11 357 148	11 768 319
8	9 002 237	9 678 260	10 494 724	11 222 404	11 686 522
9	8 843 001	9 525 650	10 311 795	11 081 288	11 600 771
10 - 14	41 974 244	45 463 833	48 901 297	53 061 882	56 456 876
10	8 683 762	9 382 256	10 127 247	10 935 982	11 511 772
11	8 519 805	9 248 850	9 939 603	10 788 647	11 420 227
12	8 373 238	9 106 926	9 764 069	10 628 003	11 312 131
13	8 252 749	8 947 633	9 607 502	10 449 492	11 180 825
14	8 144 690	8 778 169	9 462 878	10 259 766	11 031 921
15 - 19	38 559 473	41 513 074	45 057 695	48 537 997	52 715 071
15	8 032 042	8 610 484	9 317 542	10 068 974	10 880 205
16	7 924 592	8 437 263	9 175 489	9 873 789	10 725 745
17	7 771 895	8 280 499	9 024 567	9 690 390	10 557 707
18	7 549 158	8 150 733	8 857 927	9 527 452	10 373 158
19	7 281 785	8 034 089	8 682 176	9 377 396	10 178 254
20 - 24	32 665 013	37 883 881	40 931 708	44 540 420	48 045 541
20	7 018 446	7 911 210	8 506 525	9 225 028	9 980 867
21	6 747 560	7 792 057	8 324 047	9 074 665	9 777 951
22	6 498 742	7 631 484	8 160 609	8 917 798	9 588 938
23	6 291 051	7 407 022	8 028 371	8 749 083	9 423 841
24	6 109 215	7 142 110	7 912 156	8 573 847	9 273 948
25 and over	141 496 149	164 355 089	191 633 908	220 956 077	252 642 708

Source: CELADE, *Boletín Demográfico*, Vol. XIX, No. 38, July 1986, p. 18.

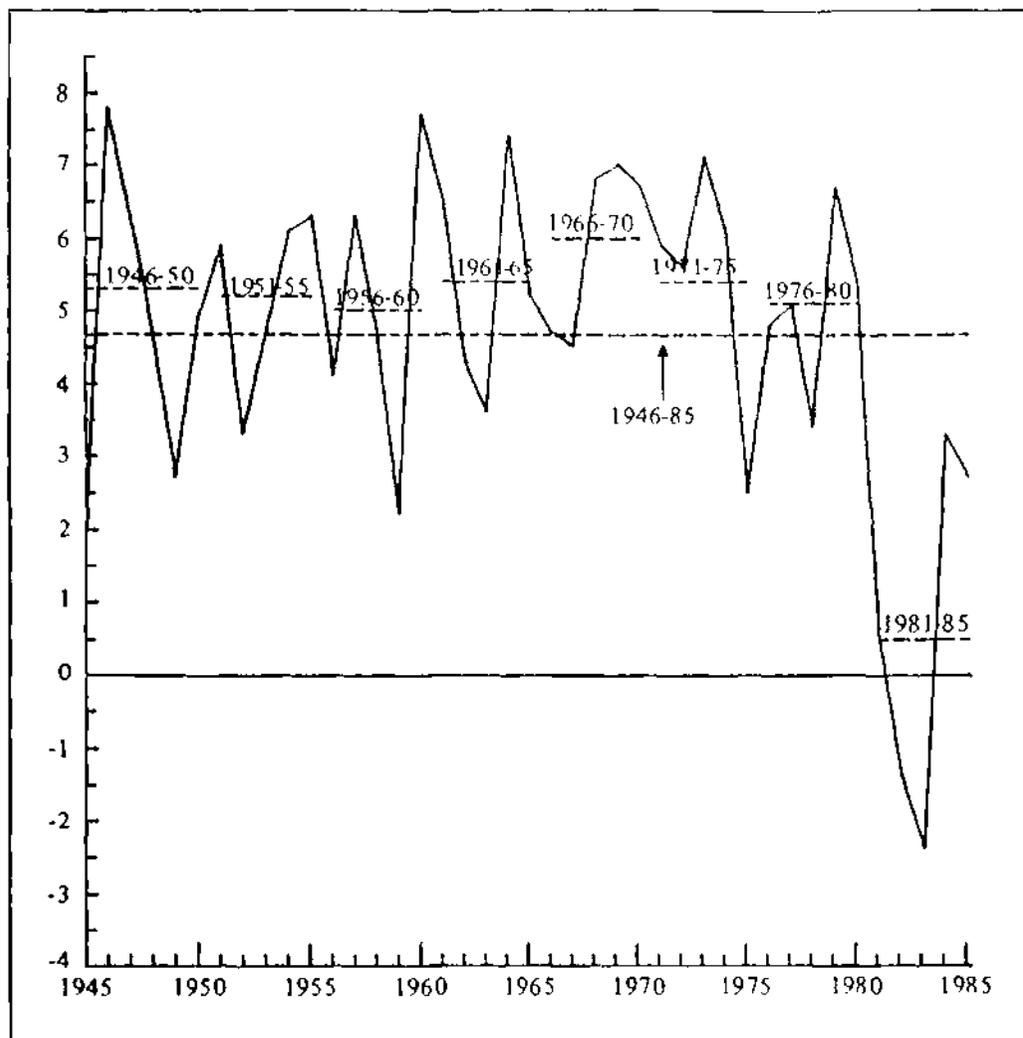
Figure 1  
**LATIN AMERICA AND A NUMBER OF REPRESENTATIVE COUNTRIES:  
 GROSS PER CAPITA DOMESTIC PRODUCT**

*(Dollars at 1970 prices)*



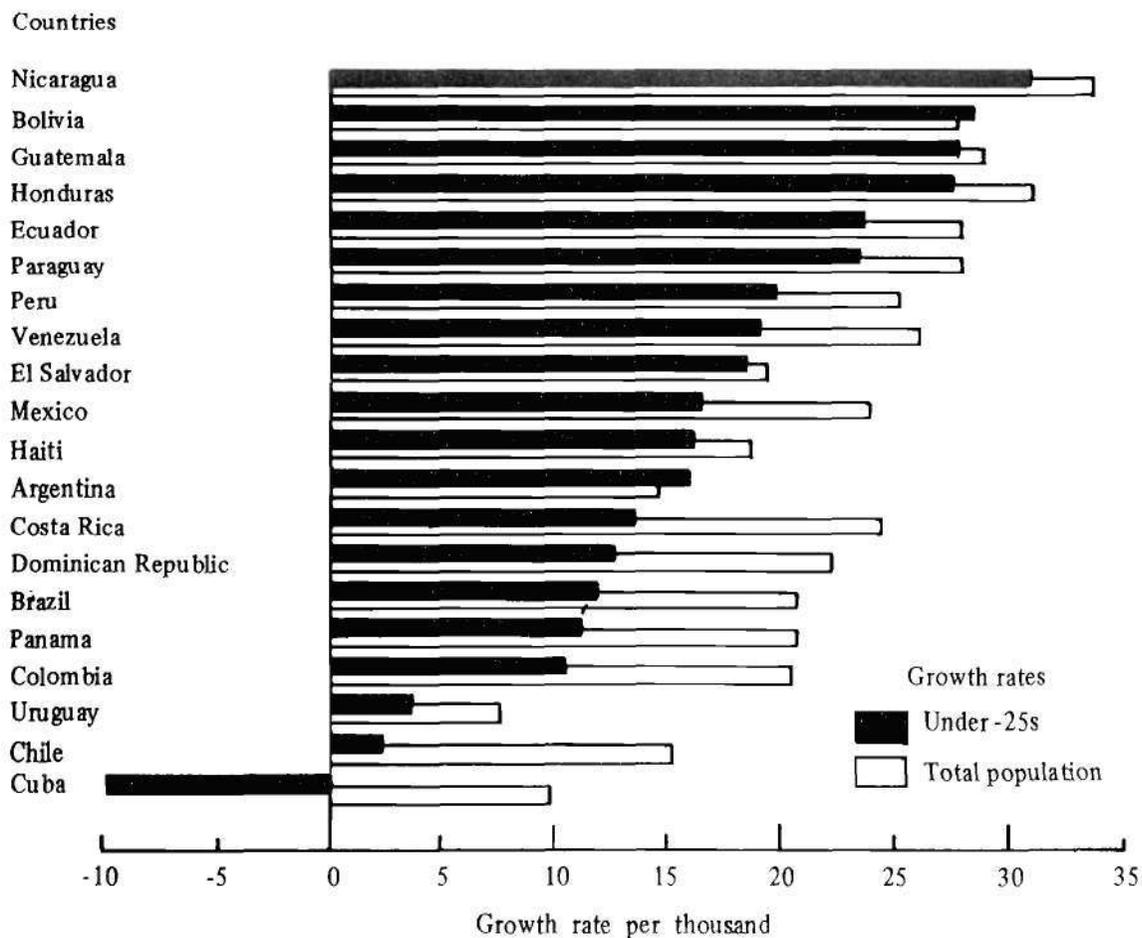
Source: ECLAC, on the basis of official data.

Figure 2  
 LATIN AMERICA AND THE CARIBBEAN: ANNUAL GROWTH RATES OF  
 GROSS DOMESTIC PRODUCT



Source: ECLAC, on the basis of official data.

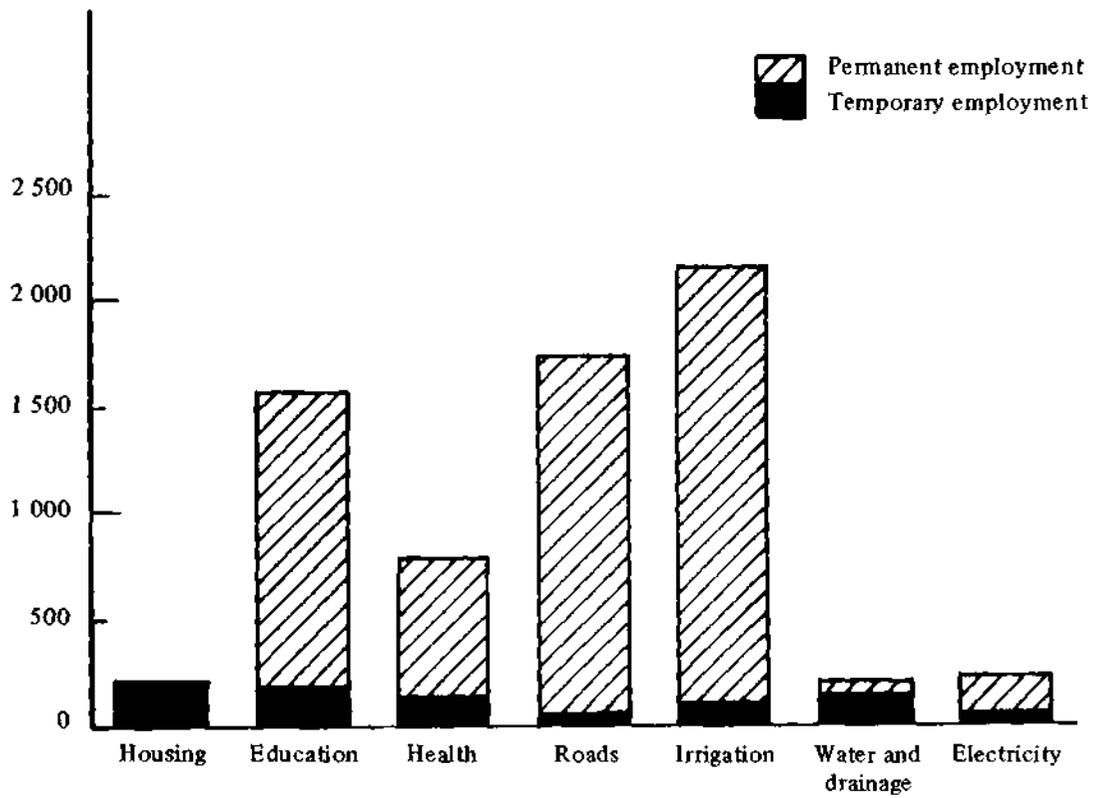
Figure 3  
 LATIN AMERICA: RATES OF GROWTH OF THE UNDER -25 AND TOTAL  
 POPULATION PER COUNTRY. 1985-1990 PERIOD



Source: CELADE, *Boletín Demográfico*. Year XIX, No. 38 (July 1986).

Figure 4  
**THE EMPLOYMENT EFFECT OF GOVERNMENT INVESTMENT  
 IN BASIC GOODS AND SOCIAL SERVICES**

*(Index of employment created per unit of investment.  
 Base 100 = total sectors)*



Source: ECLAC, on the basis of data drawn from PREALC, *El efecto empleo de la inversión pública*, Investigaciones sobre empleo Series, No. 23, Santiago, Chile, 1984.

