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URBAN POOR AND PRODUCTIVITY: KEYS TO ACTION

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The following pages present the main proposals and conclusions drawn from a number of national studies done in the region during this year. These studies assess recent advances in certain public programmes and private actions to raise the productivity of low-income urban sectors, and were prepared by ECLAC in the framework of the Third Regional Conference on Poverty in Latin America and the Caribbean, to be held in Santiago at the end of November 1992.*

1. The context

During the 1980s, the percentage of the region's poor living in urban areas rose considerably. By 1989, according to 1986 projections, there were close to 103 million urban poor and 79 million rural poor in the region. By 1986, close to 55% of the poor lived in urban areas.¹

Urban poverty is largely related to structural heterogeneity and growing urban unemployment throughout the 1980s. It can be observed in the 1950-1980 period that, unlike what happened in the developed countries, modernization was unable to absorb enough of the labour force to change the proportion employed in traditional sectors in the region. That situation was aggravated by employment trends during the 1980s, when urban unemployment went from 6% in the late 1970s to more than 9% at the end of the 1980s, and the absolute number of unemployed doubled.

During that same decade, job creation in medium-scale and small enterprises diminished in the modern urban sector, while employment in small enterprises and the number of non-professional own-account workers increased. This caused a shift in the labour force toward lower-productivity sectors, with regressive social consequences. Thus, employment and income trends show that the consequences of the adjustment and the change of production patterns during the 1980s affected especially medium and lower-income strata, deepening the social inequity produced by the previous development pattern. Whereas a rise in migration from the countryside to cities, sustained demographic growth and the incorporation of women into the labour market had previously been factors pressuring urban employment, they became much more so during the 1980s because of the crisis, modernization and adjustment policies.

* The studies referred to and their respective countries are: Colombia, El programa de atención a la microempresa del Servicio Nacional de Aprendizaje (SENA) de Colombia: experiencias, evaluación, conclusiones y aportes (LC/L.715(Conf.82/4)/Add.1); Chile, Capacitación para el empleo en la juventud popular urbana. Aporte y potencial de la oferta pública en Chile (LC/L.715(Conf.82/4)/Add.2); El Salvador, Programas de capacitación para microempresarios urbanos. El Salvador (LC/L.715(Conf.82/4)/Add.3); Uruguay, Manos de Uruguay: una experiencia de apoyo a la productividad de mujeres de bajos ingresos (LC/L.715(Conf.82/4)/Add.4). Besides these four, a study of cases from Jamaica has been added, Public Programmes Aimed at Raising Productivity of Poor Sectors in Urban Areas of Jamaica (LC/L.715(Conf.82/4)/Add.5).

Likewise, urban wage-earners saw their wages and capacity for consumption decline over the last decade, along with their job security. Real wages in this sector plummeted in some countries by close to 50%. The deterioration in standards of living also made a significant impact on non-wage-earners. Poverty here is expressed territorially, be it in neighbourhoods with poor housing, settlements providing only empty lots with basic services, settlements to be established or eradicated, or overcrowded housing. It is important to remember that in these cases the condition of housing is closely linked to other social indicators, such as the availability of health care, the infant mortality rate and education. For example, the percentage of dwellings with sewage disposal is inversely correlated to the number of inhabitants per doctor.² On the other hand, poverty is also expressed in relation to production, referring to a limited capacity to generate income.

Among urban dwellers who suffer from different forms of poverty, the studies presented here concentrate on three actors of primary importance: low-income, unemployed youth, low-income micro-enterprises and poor women.³

2. Training programmes for unemployed, low-income youth: a case-study from Chile

Urban youth who neither study nor work in Latin America and the Caribbean comprise a higher proportion of all youth than they did in the early 1980s. They are mainly found in low-income households, which is an indicator of a high risk of social marginality and vulnerability.

The Chilean case-study shows the serious problem of unemployment among youth, an age group which especially in low-income sectors suffers disproportionately from unemployment. The study points out that unemployment among youth today is a bottleneck for Chile's social development, and over the medium term will become a structural problem for development, given the social and employment vulnerability of poor urban youth today in Chile, the precarious situation of youth in the labour market and the regressive link between unemployment and marginality. Regarding these problems, the study shows the progress made by recent youth training programmes that target poor urban youth.

The Chilean study analyses four institutional spaces which have opened-up under the present Government —and the most recent actions taken within them—, and what they contribute to train and integrate youth: the youth job training programme of the Solidarity and Social Investment Fund (FOSIS), National Training and Employment Service, National Institute for Youth and the Technical Execution Agency of the Municipality of Santiago.

One of the main points of the study, regarding criteria for optimizing the impact of training programmes on low-income youth, is that teaching has to be coordinated with the needs of business. This means that training should not deal only with transmission of productive knowledge but should teach management, administration, leadership and marketing skills. It is a question of training good technicians, but also of providing them with management initiative and capacity to become a successful part of a dynamic, diversified economy. It even proposes that the technical execution agencies function simultaneously as training centres and production units. If that were done, several problems that have arisen in training programmes for low-income urban youth in Chile could be attacked simultaneously: placement of students in enterprises for practical experience, financing of execution agencies, enhancing motivation through profit-sharing, etc.

It is also important that State programmes target potential beneficiaries. In this regard, the study proposes that a data bank on training programmes undertaken by various institutions for the benefit of youth should be set up in order to improve inter-agency coordination and make it possible to provide low-income groups with a central source of information on what is available. Since the potential beneficiaries come from the world of the poor, information about youth training programmes is not adequately disseminated. An efficient, centralized dissemination is urgently needed, using television as well as grass-root organizations. The study proposes that the National Institute for Youth assume the responsibility of making known what training programmes are available to low-income youth and of recruiting potential students, acting as an intermediary between youth seeking training and the agencies that offer it. That way a young person can avoid having to go to several places to find information, to register and to meet all the bureaucratic requirements. The National Institute for Youth could have a specialized data bank containing administrative and substantive information. Potential beneficiaries could also be oriented toward specific training by a team that constantly evaluates labour demands from the State and private enterprise.

It is also very important for private enterprise to continue to support training programmes for unemployed youth. The study on Chile speaks of the enormous gaps that have been created between unemployed youth and the formal sector. It points to the high cost to the enterprise of hiring a person who does not know how to do the job, who has the typical emotional problems of the young or who lacks the social skills to relate to others in the workplace. It also notes the discrimination on the part of employers against low-income youth, and the unmet expectations of young people, since widespread secondary education and the values promulgated by the mass media lead them to look down on manual and production jobs and prefer white collar or tertiary sector employment.

The private sector has a better knowledge of what skills are needed by enterprises. The private sector should not only provide information and financing but also training materials, and should release skilled workers for a few hours each week so they can pass on their know-how to trainees. Obviously, private enterprises will not take these initiatives on their own. Therefore, coordinating the efforts of training institutions and private enterprises presupposes greater communication between private enterprise and low-income youth. Training institutions should take the initiative to build that communication, since they are the ones that can serve as a link between private sector employers and low-income youth.

To sum up, the following prime objectives are recommended: to develop a mechanism to disseminate information to low-income youth, in order to facilitate their initial access to training opportunities; to centralize the link between the target population and publically available training by creating one non-bureaucratic agency so as to avoid the initial waste of time and the discouragement that stem from excessive red tape or lack of proper guidance; and to gradually transform training units into production units in order to reinforce motivation, combine theoretical and practical aspects of learning and move toward self-financing.

3. Support policies for urban micro-enterprises: the cases of Colombia and El Salvador

a) Complementarity between different institutional agents

The micro-enterprise is so important in terms of dealing with urban poverty and employment that a concerted effort should be made to treat it as a priority, i.e., different institutions should participate in promoting productive programmes for the sector. A variety of agents is all the more required to the extent that the goal is to combine anti-poverty policies with production policies. Concerted action is strategically important, then, to develop:

- Government training services and programmes that prepare and orient functioning or potential micro-enterprises and assist in the launching or strengthening of micro-enterprises;
- production policies that provide support for credit, technology and markets for micro- and small enterprises, in order to make them more viable, sustainable and competitive;
- non-traditional classes, offered by the concerned private sector including non-governmental organizations and church agencies, which seek to make people from marginal or informal urban sectors aware of their own situation and the options they have to break out of the vicious circle of poverty;
- advisory services, provided by private employers, on topics such as efficiency, specialization and the promotion of micro- and small enterprises, and especially to strengthen linkages between the formal business sector and micro-enterprises.

According to the study summarized here, by 1990 micro-enterprises in Colombia (up to 10 employees) absorbed 24.7% of the economically active population and comprised 87.3% of all businesses.⁴ Thus they became the priority target for the National Service of Apprenticeship (SENA). The State called on several public and private agencies to carry out activities in support of micro-enterprises in order to enhance their impact and achieve wider coverage through coordination machinery, such as the National Plan for the Development of Micro-enterprises.

In El Salvador, according to official figures, the informal economically active urban population increased from 37.5% in 1988 to 50% in 1989, and was estimated to be 52.4% in 1990. Likewise, the study states that 54% of those employed in 1989 worked in enterprises having fewer than four persons, and 31% of these worked in one-person enterprises. The study estimates that around 60% of independent workers are below the poverty line.

The studies presented here on SENA in Colombia and on the training institutions in El Salvador show that for countries with a high percentage of the urban population working in informal enterprises, one of the mainstays of changing production patterns with social equity has to be that different institutional agents, including the whole formal sector, the social sector of the State and the concerned private sector provide sustained and concerted support to raise the productivity of micro-enterprises. "Productivity" and "competitiveness" are becoming key goals in massive support programmes for micro-enterprises. That does not mean that values like solidarity and poverty relief have been displaced by

business logic, but rather that low-productivity urban dwellers need the logic of both productivity and the anti-poverty struggle.

In the case of micro-enterprise support, this implies that if the objective pre-conditions of institutional investment, the cost to the individual beneficiary and the institutional framework of training and technical assistance are not taken into account and assessed, the profitability and competitiveness of the effort to generate self-employment or create or strengthen micro-enterprises can have little impact on productivity. Productivity should be enhanced by the following measures:

- Identify activities and agents for a massive programme to support small urban enterprises, pinpointing the products and services that can be highly competitive in that sector.
- Allocate resources for massive training programmes for micro-enterprises, together with access to preferential credit for production infrastructure, all of which will give micro-enterprises more sustainability.
- Improve marketing methods and extend managerial training for the self-employed, micro-enterprises and partnerships so that they can increase their income and have easier access to credit.
- Overcome legal obstacles by creating a single incorporation mechanism with universal legal coverage, and by promoting temporary tax exemptions, special allowances according to the number of jobs created, and limits below which no taxes are paid.

b) Coordination needed for effective micro-enterprise support

Support to raise the productivity of urban micro-enterprises calls for not only a complementarity between different agents but also coordination between steps in the process of moving from training to production. First, efficient action requires that the factors that make a micro-enterprise competitive be well coordinated, especially training, access to credit, technical assistance and marketing. According to the Colombian case-study, for example, impact assessments show that the micro-enterprises that are most successful in raising income and creating jobs are those that are supported by programmes providing a combination of advisory services, training, credit, marketing and technical assistance. At first, the support of SENA to Colombian micro-enterprises was given through the "Employers' Urban Social Training Programme", which sought to provide small producers with minimum administrative skills. This proved to be insufficient, however, given the existing constraints on access to input and product markets, technology and credit, together with adverse laws and a lack of social security. The connection between these factors also became clear: because of a lack of working capital and sources of financing, commercial opportunities are missed; interest rates on non-bank credit are usurious; a lack of adequate technology causes problems of quality, quantity and on-time deliveries of products, which in turn limits market access; and legal restrictions block access to both markets and credit. SENA is therefore making innovations to improve its Programme of Service to Micro-enterprises, including actions such as establishing, in conjunction with non-governmental organizations, centres for the development of production, exclusively to aid micro-enterprises to design and develop products, and a Technology Advisory Service; promoting alternative and supplementary credit services through agreements with financial institutions, which would allow for extending the coverage and effectiveness of present credit

services; and strengthening grass-root organizations of micro-entrepreneurs, especially by setting up revolving funds to provide credit to their members and administered by their own leaders.⁵

Another coordination mechanism mentioned in the study on Salvadorian institutions that support urban micro-enterprises is the one used by the Entrepreneurial Foundation for Educational Development (FEPADE). The coordination consists of a consistent structuring of courses offered to support urban micro-entrepreneurs. After seeing that training programmes were disparate and lacked a rational basis, FEPADE offered an integrated programme of market studies, orientation by private enterprises, training for those who give the orientation, and assessment of the impact of the programmes on the jobs of the beneficiaries. Coordination of these components made it possible to rationalize the courses offered to urban micro-entrepreneurs in El Salvador.

The Colombian and Salvadorian studies also give priority to coordination between learning and entrepreneurial skills. During the last few years in Colombia, SENA directed its micro-enterprise programme towards changing the attitudes of micro-entrepreneurs by switching from a teacher-student relationship to a process of entrepreneurial development, supported by on-the-job training, and eliminating courses, classes, teachers, professors and instructors. Instead, those who lead the process are more like advisors, facilitators and coordinators. In "working sessions" and "workshops", together with the micro-entrepreneurs, they achieve concrete goals related to the development of their micro-enterprises. It is important that training transmit to potential micro-entrepreneurs not only the technical know-how needed for each activity, but also managerial expertise, i.e., effective managerial skills.

It is also important for training programmes to respond to real demand in the labour market. Information about present and future needs of private enterprises and a system to follow up on the graduates of training programmes once they enter the labour market facilitate such coordination. The study from El Salvador mentions the need to reinforce micro-enterprise support programmes by providing useful information on the labour market, on potential demand from activities and products, and on technological and marketing options. This kind of information allows programme directors and administrators to reduce risk in projects designed to produce or market goods and services, whatever the size of the production unit.

4. Production projects and poor women: the case of artisan cooperatives in Uruguay

Impoverished women form one of the most vulnerable population groups. Their quality of life is extremely precarious, especially those who are heads of household. Up till now, very little in the way of public resources has been allocated to programmes to support the productivity of low-income women. There are few on-going programmes serving this target group. Normally, most of those reached by training programmes for the self-employed, micro-entrepreneurs or unemployed youth are men. This could be due to traditional prejudices, according to which male unemployment is more critical than female, and a micro-enterprise supposedly calls for an entrepreneurial spirit more proper to men.

The network of cooperatives comprised of women artisans, known as Hands of Uruguay and evaluated by the study summarized here, is without a doubt a clear example that productive organizations can be formed by low-income women with little training, which eventually lead to a sustained increase in their income. The system is composed of a service centre with 100 paid employees and 18 production cooperatives with a total membership of some 1,000 women artisans, located in the interior of the country

and including close to 100 groups scattered throughout 40 communities. Its levels of jobs and sales make Hands of Uruguay one of the largest enterprises in the country. It is especially important as a source of employment for women in the interior. The enterprise is 25 years old, in a country where many enterprises that began with better conditions in terms of capital, location and skilled manpower were left behind. The competitive advantage of Hands of Uruguay has been to create an original product (by recovering rustic artisan techniques from the Uruguayan countryside, re-creating design, colour and technology), and to sell it in affluent market niches, thus obtaining a big enough margin to finance the costs stemming from geographic dispersion and the need for training.⁶

Despite the fact that, historically, Hands of Uruguay has paid low wages, it has raised the income and living conditions of the artisans, not only by ensuring at least the minimum wage, but also by providing access to social benefits (family allowances, health and unemployment insurance, Christmas bonuses, paid holidays, retirement) and periodical profit sharing. These are significant advantages for women who had neither prior work experience nor similar employment alternatives where they live.

Even though it involves a small number of beneficiaries, over 25 years this experience has led to an enormous development on the personal and technical level, and has grown from what was more than anything a social action movement with a strong volunteer element to a large enterprise providing empowerment and growth to the women involved. This is especially relevant for low-income women, who suffer a twofold discrimination arising from their social and economic class and their gender. To be involved in a project that not only allows them to improve their income but also gives them as a group a sense of belonging to a successful enterprise means that they confront in positive fashion different forms of exclusion at the same time. In this regard, the favourable impact on the quality of life of impoverished women consists not only of higher income (productivity) but also of their psychological and social development and better "social citizenship".⁷ The Hands of Uruguay case, then, presents an option with a multi-level impact, dealing simultaneously with a variety of needs. According to the case-study, the personal development and cultural change of the artisans can be seen in their attitudes towards society and in their capacity and willingness to take initiatives. This personal growth is patent when they talk about themselves, how they resolve family conflicts and how they raise their own children. They are frequently sought out in communities in the interior of the country to participate in collective initiatives, in recognition of their experience in group work and their organizational and managerial skills.

5. Entrepreneurial rationality and social management: a modernization needed to enhance the productivity of the urban poor

The studies summarized here all agree that institutions that support micro-enterprises and unemployed youth should take initiatives that could consolidate production in the medium term. As the Colombian study states, institutions have more efficient and productive results when they direct their programmes to micro-enterprises involved in more dynamic and continued economic activities, from the viewpoint of the market. This excludes the more precarious survival tactics that lack an "economic rationality". Thus, support institutions cannot act indiscriminately, but rather should concentrate on micro-enterprises that have real development potential because of their level of internal development or their insertion into sectoral or regional markets.

The study from El Salvador is emphatic on this point and expresses the criticism that up till now efforts have tended more to ensure the survival of the beneficiaries in "minimalist" economic activities than to place them in profitable and competitive activities. The study holds that micro-enterprises need

to talk less about solidarity and more about production. To make this shift they need an evaluation of the development potential of each sector and its needs in order to benefit from advantages that allow them to confront —and capitalize on— the effects of market liberalization and changes in production techniques.

The experience of Hands of Uruguay brings together entrepreneurial rationality and a kind of self-managerial or cooperative rationality. The latter is seen in its internal organizational structure, in the form and constitution of its capital, and in the fact that benefits are conceived of as a means to improve the standard of living of women in the interior of the country.⁸ One manifestation of this phenomenon is that in 1981 more and more artisans began to help to manage the system, eventually becoming part of the board of directors. Today, the system is being restructured in order to give the regions greater autonomy by handing over previously centralized managerial functions to the cooperatives. This, however, does not imply that entrepreneurial criteria are being abandoned, since the restructuring is based on a training plan designed to create a "culture of quality and productivity", which tends to make the units of the system more profitable. The purpose of decentralization is to promote the development of efficient managerial functions with the cooperatives themselves, transferring to them the ownership and administration of raw materials and the sale of finished products to the service centre.

The option of combining entrepreneurial rationality with cooperative production forms, as presented in the Uruguayan case-study, needs to be emphasized. The experience of Hands of Uruguay shows that with "entrepreneurial imagination" and a good use of potential niches in different markets, entrepreneurial promotion can be compatible with social promotion within the production unit. Although this is a private and relatively small project, there is no reason to discard the possibility of supporting similar and larger public programmes. The productivity of the urban poor can be enhanced by different ways of combining entrepreneurial rationality with social promotion, especially if they make dynamic use of "niches" in different markets to become more competitive. If open markets can contribute in any way to the productivity of the urban poor, it is precisely because of the broader range of commercial possibilities they offer producers, providing greater advantages and possibilities of earning higher profits. The experience of Hands of Uruguay shows precisely how open markets can be taken advantage of by segments of craft-based and cooperative production, as long as they have entrepreneurial imagination.

The training programmes for unemployed youth presented in the Chilean study propose ways of combining training rationality with entrepreneurial rationality. They suggest converting the Technical Execution Agencies (TEAs) now responsible for training courses into production units that would no longer be merely administrators of funds. Each TEA would provide training in its specialty as a production enterprise. Such a change would make it possible to advance on several fronts, namely: to combine job training and hands-on experience more directly, without having to seek the collaboration of outside enterprises; to reinforce the collective and entrepreneurial spirit of the students through proportional profit sharing; to significantly increase the motivation of students to learn, since knowledge can lead immediately to higher production and income; and to use the funds provided by SENCE and the Inter-American Development Bank as start-up capital, but leading to self-financing in the medium term.

From the viewpoint of support institutions, it is also important that the TEAs gradually assume social managerial functions. According to the case-study from El Salvador, which evaluates the recent action of numerous public and private institutions providing training to urban dwellers in the informal sector, "managerial" criteria need to be introduced into most of the programmes. Privatization, in this field, should be understood very specifically as the incorporation of entrepreneurial rationality into programmes that have been operating for a long time either with a discourse of "participation" or from a welfare-based perspective. The challenges that face these programmes are not only to overcome their

bureaucratic, paternalistic or voluntarist tendencies, but also to become a new kind of "social catalyst" in order to promote, through their support of urban poor (especially micro-entrepreneurs and unemployed youth), a policy of productive projects.

A policy of productive projects entails responding to the demands of micro-enterprises and unemployed youth on the basis of the capitalization potential of that demand. In other words, it is important that institutions operate in response to demands from the urban poor, but at the same time they have to direct that demand so that it leads to projects that are productive, feasible and sustainable over time: be it demand for credit, technology, training or technical assistance. In this framework, the "social catalyst" should not only give priority to more viable and profitable projects, but should also help potential beneficiaries generate and elaborate viable and profitable projects.

Notes

¹ See ECLAC, Social Development Division, Las dimensiones sociales de la transformación productiva con equidad (LC/R.1090), Santiago, Chile, February 1992, p. 43.

² See ECLAC, Social Development Division (1992), La marginalidad urbana en América Latina: la dimensión espacial (LC/R.916), Santiago, Chile.

³ The Chilean study deals with support programmes for low-income, unemployed urban youth; those from El Salvador and Colombia describe current programmes to promote micro-enterprises; and the one from Uruguay discusses the experience of teaching women to produce handicrafts, especially in urban areas in the interior.

⁴ The Colombian case-study presented here defines the micro-enterprise as a permanent unit of production of goods or services, with little separation between capital and labour, little division of labour and with traditional production methods, more labour- than capital-intensive.

⁵ A possible model for coordination is provided by the Centre to Support Micro-enterprises (CAM) in El Salvador in a programme that combines credit and obligatory saving, along with training and technical assistance.

⁶ While the domestic sales of Hands of Uruguay grew from US\$600,000 in 1975 to around US\$2 million in 1991, exports rose from US\$200,000 to US\$1 million during that same period (and surpassed US\$2.2 million in 1986). A constant increase in volumes of production and hours worked has gone hand in hand with growth in sales. An increase in productivity is also noteworthy: whereas in 1975, 1,000 artisans produced enough for US\$800,000 in sales, in 1991, 700 provided for sales of US\$3 million.

⁷ The training provided by Hands of Uruguay has made it possible to incorporate artisans into production and management; they have gradually assumed responsibilities for planning, production supervision, financial management, handling of raw materials and extension to the community.

⁸ Even the social promotion objectives of Hands of Uruguay always sought to go beyond the members of the system and reach their respective communities.