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IMPORTANCE OF THE INFORMAL SECTOR IN FUTURE URBAN SETTLEMENTS:
THE DUAL METROPOLIS */

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Introduction

The present document was prepared for the international seminar which was organized by ECLAC, the United Nations Centre for Human Settlements and the German Foundation for International Development to evaluate the possible relations between the activities of the informal sector and housing policies in urban settlements. With the aim of introducing the basic topic into the debates, this document was drafted to provoke discussion in order to bring about a reassessment of the basic subject. We have looked at the dual economy of the Latin American metropolises, the population explosion and the rise of shanty towns throughout the world. We have also proposed a basic model which has been elaborated to assess the urban social inequalities of our metropolises. With this model, the question of dwellings and sub-standard housing in the dual metropolises of the third world can be assessed and also the priority level that a housing policy should be given in the public investments of these countries.

1. The economic structure and the informal sector of the metropolises

The economic, political, social and urban evolution of the Latin American countries has created and continues to create huge, unwieldy and unfair cities. This process of "too rapid metropolitanization" has been characterized by the emergence of enormous social and economic inequalities, considerable isolation, alienation and marginality, high levels of unemployment and the emergence of cities which are totally lacking in infrastructure and basic urban services.

This pattern of marked inequality in the metropolises reflects the overall major duality of these societies, which are characterized by extreme cultural, economic and social disparities which together exercise a mutual and complex influence on the society as a whole. It is these same sharp differences that produce oversimplified interpretations, which although useful and important, do reveal Manicheistic tendencies which frequently make their appearance in interpretations of the Latin American situation.

One example of this of a markedly dual interpretation of the analysis of production is the one given by Bacha, who following the guidelines set forth by Conceição Tavares and Celso Furtado, advance the dual model of the Brazilian "high income bracket", in contrast with the social strata that subsists on a "basic wage".^{1/}

On the subject of employment, wages and labour, Bacha explains that "there is an unlimited supply of labour in the modern sector", coming from the "traditional sector" of the economy and that the "basic wage of the modern sector" --meaning up to three monthly minimum wages (US\$ 169.24)--, is

institutionally controlled and determined by the negotiation process "under government auspices". In direct contrast to this is the "high income bracket", "whose remuneration seems to grow at a higher rate than that of the productivity of the economy's manpower" and "does not follow the movement of basic wages. In this socio-economic segment, the principles of competitive determination of wage levels and of managerial salaries growing in step with company profits remain valid".

As a result of this two-tiered wage level, in order to provoke discussion, we are suggesting that there could be two cycles, determined by two basic currencies, in the remuneration of the labour market and in the respective consumption pattern. In a first cycle, the dollar would prevail as the strong international currency; whereas in the second cycle the predominant currency would be the "cruzado" as the national or local currency. Each of these currencies would emerge as the basis on which negotiations were held in their respective cycles in the society.

In the economic sphere, the "high income bracket" which emerges is very closely connected with the international economy through the transnational corporations belonging to the country or to other countries, operating in the various sectors of the economy. All of this appears to create a "dollar dominated" cycle in the society, which thinks and acts in terms of the strong currency. Furthermore, the majority of the population carries out its transactions in the system of the current currency whether it is the cruzado, the peso, the austral or another currency.^{2/}

Using an urban spatial approach, each one of these two cycles has a different impact on the society and entrenches further this dual metropolis, which is so typical of the underdeveloped countries.

One spatial implication of these two cycles is an urban duality, which is reflected in the goods, services and actual physical appearance of the cities. On the one hand, one finds developed and modern areas, with their hotels, "shopping centres", restaurants, nightclubs, large avenues, etc. This sector of the economy emerges in opposition to the areas, where a larger sector lives, composed of the lower and middle class of the urban population, with access to more modest goods and which includes the squatter settlements, shanty towns and other areas of sub-standard housing characterized by an almost total lack of infrastructure and urban services.

The majority of the population lives in these less well-provided areas as do those people who have no formal employment and whose work and consumption patterns, albeit little researched, differ enormously from those living in the "high income bracket". In Brazil, 90% of the labour force is paid the basic wage, which is equivalent to up to three minimum wages (US\$ 169.24). This body of persons comprises the majority of the economically active Brazilian population, according to the information in the statistical censuses.

Once again, as a reflection of a dual system, which is a result of the glaring socio-economic differences bordering on Manicheism, there is a distinction between the structured and informal sectors of employment. As a conceptual approximation which summarizes a much more complex situation, this

distinction reflects the contrast between the formal or protected sector (i.e., protected by labour legislation) and the sector which is not covered by labour legislation which is informal, temporary or whatever other term may be used to describe it.

The importance of this duality,^{3/} which has now been sufficiently studied, is the fact that only a small sector of the working population has the skills to work as a "reserve army" in an activity which is characterized by high personnel mobility and low pay. In Rio de Janeiro, only 12% of the workers are skilled and in the entire country, 40% of the urban labour force is engaged in activities in the informal sector.

Looking at the question of housing of this strata of the population, it will be noted that in the poorer quarters of Rio de Janeiro, a metropolis where 10% to 15% of the total population lives in squatter settlements, that 70% of its inhabitants receive less than the legal minimum wage (US\$ 56.40), but that of these, 70% have their own homes and are permanent residents, and although they do not own the land they prefer to remain in the same quarter and improve their own houses. In all of Brazil, we have found that 75% of the families earning less than the minimum wage lived in permanent houses.

This apparent contradiction which is observed in populations which earn low wages but own their own homes, leads to the conclusion that employment in the informal sector is a most important component of the family income in so far as it enables people to own their own homes. Despite the scanty knowledge on this issue, it can safely be said that the economic unit is the family and not the father; that the woman emerges as a more stable agent than the father, who is a more transitory figure; that the consumption pattern is linked to the work pattern of every family structure or to the sum of the personal incomes of the family. Finally, it should be noted that the family has now become "a space for the creating opportunities in the labour market and a vital link in understanding the complex connections between the labour market and the "consumption" market".^{4/} The features of this labour market, this family income and this consumption pattern are particularly complex and very little study has been done on them.

It is on this summary outline of the situation that we will attempt to analyse the future of our urban settlements and the evaluation will be based only on present trends and without any attempt to predict the future. Some of the results already described do not encourage optimism as Donahue shows:^{5/}

- a) between 1975 and 2000 the percentage of the world population living in urban areas will increase from 28% to 44%, that is, from 838 million to 2 100 million inhabitants;
- b) during this period, the world population of the urban areas will show a growth of 1 262 million inhabitants, compared with 589 million in the rural areas, where the cities will absorb 70% of the demographic growth;
- c) it is estimated that at the present time, 50% of the world population in the urban areas is living in conditions of extreme poverty and that this percentage could reach as high as 70% in some of the poorest metropolises. If this proportion should persist, by the year 2000

there will be more than 1 000 million persons living in conditions of extreme poverty in the urban areas.

Latin America is the most highly urbanized of the developing regions and can be expected to maintain this condition because the urban population will have grown from 62% in 1975 to 76% in the year 2000. This means a growth of over 230 million persons during the period, with an increase in urban population seven times greater than that of the rural population.

In addition:

- a) in 1980, only 16 of the 26 metropolises with more than five million inhabitants were located in the third world;
- b) by the year 2000, forty of these metropolises will be situated in this region, out of a total of 60 world metropolises;
- c) between 30 to 40% of the world population in the urban areas will be living in squatter settlements.

In conclusion, if this is the economic and social panorama of Latin America's cities and if the projections for the years to come reach the levels mentioned, then the discussion should include not just housing for the informal sector but even more importantly, the basic concepts and existing town planning policies now being applied in our countries should also be reevaluated. The city should be viewed as a whole and as a place where a huge contingent of the population from the urban sector dwells. Within this urban, social and economic setting, it becomes important to have standards by which inequalities of our dual metropolises can be judged, the importance of housing as the priority of State policies can be evaluated and the necessary sectoral measures decided on, in order to achieve the creation of a more just, democratic and egalitarian city. In this sense, ECLAC is the forum par excellence for holding this debate, given its tradition of innovation and the concern for social wellbeing which underlies its activities. In this international year of shelter for the homeless, what alternatives can we offer for producing more housing? What can be done to reduce the disparities in our "dual metropolises"? Where, when and how should we do this?

2. The dual metropolis

As we try to find a simple instrument which will make it possible to describe our dual metropolises, let us imagine to begin with, that we are making a reconnaissance flight over any large urban centre. Whether with the naked eye or with a camera, filming or even using sophisticated aerophotogrametric surveys, what is important is that we will have a "picture" that characterizes the urban and territorial diversities and peculiarities of this city.

At a second stage, we will be obtaining information on the socio-economic profile and income of each one of these quarters or enclaves with identical urban systems, so that later we can place them in order ranging from the poorest to the ones with the highest family income. Furthermore, we will try

to stratify the services and urban infrastructure according to their frequency and cost per capita, for use by the urban population.

When this stage is completed we will want to summarize the complex panorama that we have been drawing in a rather simple way. The simplest representation will be a double entry table showing the inequalities observed at the level of quarters or communities with the same pattern of family life.

In this way, we will obtain a practical and simplified model which will be helpful in evolutionary or comparative studies and analyses of the dual metropolis. This model consists of arranging the numerical or other information in a bidimensional table (see figure 1).

The columns will show the urban services and both the basic public and private infrastructure available. These goods and services are classified according to quality, beginning with the least costly and/or more common and ending with those having the highest unit cost or highest cost per capita or per user or even those services which are least available for use by the population. As a suggestion, in the first two columns there could be: roadways, streets with a dividing line or with no dividing line, schools, health stations, living space per capita and other indicators. Perhaps secondary schools could then be listed, piped water, garbage collection, public telephone and public street lighting, and finally private telephone services, public and private day nurseries, more sophisticated transport systems and other indicators of a higher standard of urban living.

It is important to note that the level of detail in these columns should be judged bearing in mind the aim of the study which is being undertaken, which is to provide background knowledge of the city and of its most important and significant indicators.

In the horizontal lines of this dual entry table the quarters and large enclaves such as the shanty towns will be listed --according to their income level, beginning with the poorest, which are the shanty towns and other similar types of dwellings, including next the poor quarters through the different middle class levels and finally to the quarters, where the families with the highest purchasing power live. In the latter, it will be observed that public investment tends to be higher, more complete and usually with the highest cost per unit.

The basic model for analysing the metropolis will thus have the following format:

This basic model could be put to different uses. It could be used, for example, in the study of urban planning of the developed, developing and extremely poor countries.

Figure 1
URBAN DISPARITIES^a

Spatial units	Urban services and goods														
Quarters, communities or enclaves	More common and/or expensive			(continuum) →						More common and/or more expensive					
	a	b	c	...			e	m	n	...			x	y	z
The poorest	○														
The poor	○														
Lower middle class	○														
Middle class	○														
Upper middle class	○														
Upper class	○														
The rich	○														
The very rich	○														

^aThe values can be numeric or qualitative to reflect the presence or the existence, by indicators, of service or urban good in the quarter, community or enclave.

As a result of using this basic model in developed countries with a low population growth it may well be that the almost vertical curve that results will summarize the level of urban equality in this metropolis. Consequently, a more horizontal slope will indicate the presence of inequalities up to the point where the dual metropolis as the extreme case is reached. However, in this first instance, the curve "1" will be almost vertical (see figure 2). A vertical line will also be the result, when the basic model is used for a city which is still being planned by a working group or is only included in a master plan for this or that metropolis but will not appear in a real city. Once again, the line "1₁" also tends to be vertical, because the plans which have been made, including those for the poor metropolises, tend to reflect the "wishful thinking" of our town planners and planners and consequently, the majority of these projects never see the light of day. In both cases the lines "1" and "1₁" reflect "democratic" cities, in other words, cities which are fair and egalitarian from the socio-economic and urban viewpoint.

However, when the basic model is applied to the conditions prevailing in Lima, Santiago, Buenos Aires, Rio de Janeiro, Bogotá, Caracas, São Paulo, it will be noted that the line drawn for each city will have its own "profile". Generally speaking, a very different pattern should emerge from that of the two mentioned above: the line will probably tend to be horizontal with broad plateaux, and the result will be similar to that of figure 3. This result mirrors the dual metropolis, with its curve reflecting the vast urban, economic and social disparities (1_t).

The different plateaux mentioned characterize the quarters and communities which have similar profiles although they are not contiguous (see figure 3).

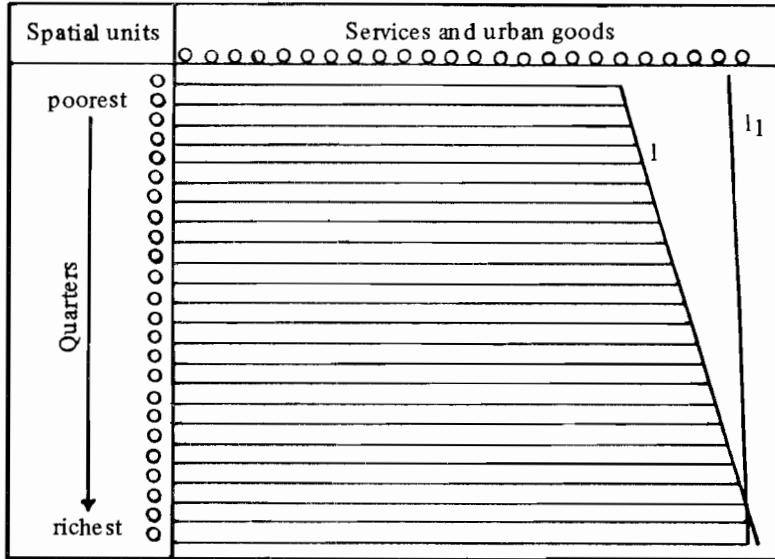
This resulting curve, which reflects the conditions existing during time t in a given metropolis is dynamic and does not remain static, fixed or permanent. Quite the contrary, its profile is constantly changing to reflect the political and administrative growth of the metropolis and the main economic conditions of the country. In this way, we can imagine the different profiles which curve "1" would take, if there were a more conservative administration, compared with the profile which would result under an administration with more innovative or popular tendencies.

At the same time, research could be done into the change in the inclination of this line which reflects the urban disparities, if community representatives participated more actively in decisions or if a mixed district system were adopted for the election of town and metropolitan administrations.

In truth and in fact, this is mere initial speculation about the possibilities of using the basic model to assess the existing conditions or the administrative programming of cities and metropolises.

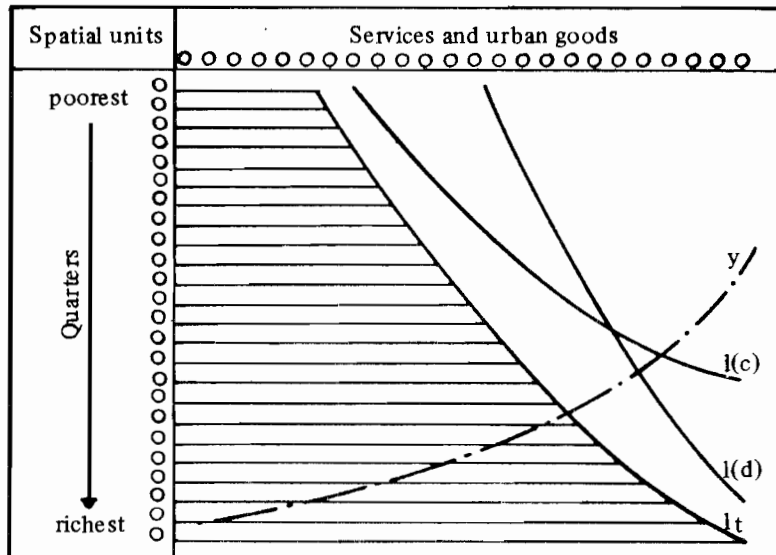
In this sense we can imagine, if in time " t " the curve is [$1(t)$], at the end of a more socialist and democratic administration, the vertical movement of the curve would be [$1(d)$] and would show a reduction in the disparities. However, at the end of a more redistributive type of government or one which was more inclined to satisfy the demands of a more vocal upper middle class, the curve would tend to be horizontal and the result would be [$1(c)$], which

Figure 2
URBAN DISPARITY FOR THE DUAL METROPOLIS^a



^aThere may be a break in the line indicating the presence of services.

Figure 3
URBAN INEQUALITY IN THE DUAL METROPOLIS^a



^aThere may be a break in the line indicating the presence of services.

reflects the increase in the disparities and the heightened conflicts in the dual metropolis.

Notwithstanding this, the basic subject of housing and the informal sector must be looked at again in future housing settlements. We will now describe the characteristics of the dual metropolis in Latin America which flow from the basic model, where housing may not be given high priority in public investment, especially for those who depend on the informal sector of the economy.

3. Popular housing in the dual metropolis

As a proposed conclusion to the present document, which is merely an exploratory first discussion of this subject and ought to be read with the caution due to bold proposals, I feel that it is necessary to reprogramme carefully the priorities of the housing policy for the low-income population sector including the informal sector. The socio-economic inequality in the Latin American societies and the dualities and the disparities of the supply of goods and services in the region's metropolises and cities compel us to look again at what has been achieved in the area of housing programmes. In other words, we need to re-examine and establish a new list of the public sector's priorities and its investments in the dual city planning of the large Latin American cities. The first task, therefore, should be to reexamine the priority which the public sector gives to housing. We spent more than 20 years, experimenting with housing programmes prompted by antediluvian motives and which serve interests of the richest segments of the population or public sector officials. During the next phase, the housing and improvement programmes, which were designed, showed the marked influence of the Alliance for Progress. Finally, we come to the question today: where are we and what do we intend to do in the future? Needless to say, this is not an original topic for discussion at a seminar. The question is: What have we done? Where are we? and Where are we going?

What we have done has been to break up our urban policies into sectors with special emphasis on housing, collective transport and environmental improvement. As the result of a political and technical ideology which prevailed for decades, a city and a metropolis have been planned which are the "macro-habitat" of the human being. Nevertheless, the political and administrative priority has channeled investments towards a few sectors, especially housing. The net result is that we have invested in the "micro-habitat" of the home, in many cases neglecting the very guidelines of urban planning on a larger scale and the fundamental needs of the city dweller.

The results are plain for all to see. In the case of Brazil, mention should be made of the recently dissolved National Housing Bank which undertook one of the most successful projects carried out in the capitalist countries, especially among the underdeveloped countries. Despite this relative success of the Financial Scheme for Housing, the housing demand was always much higher than the supply. Furthermore, notwithstanding the vast number of jobs offered, the concentration of income caused by the financial and housing construction and environmental improvement system only served to heighten the social problems and to deepen the duality. The outcome was that,

of the 500 000 dwellings built annually in the country, on the average, much fewer than 200 000 received support from the Financial Scheme for Housing. In 1985-1986, the National Housing Bank financed only 78 000 dwellings.

In a more general way and despite the urban investment efforts of the public sector, the conditions in the cities did not improve substantially. In different ways, our metropolises have reinforced the conditions of urban poverty and wealth, thereby reflecting the growing social inequalities. In this "macro-habitat", the housing question has become an almost secondary or even marginal issue vis-à-vis the other problems that the public sector in the Latin American metropolises have to confront. There is frighteningly high unemployment, education and health care are distressingly inadequate; lighted, paved and safe streets; dependable, adequate and cheap transport are all needed. These, it would appear, are the new priorities of the public sector in administering the Latin American metropolises and they are different for each quarter, each metropolis and each city.

As a result, the conclusion is reached that the "portrait" of the dual metropolis is showing that the urban disparities are more serious and marked in the matter of infrastructure and services than in actual housing for the low-income population, which is generally employed in the informal sector.

Consequently, the main target should not be housing but the metropolis. It should therefore be administered so that it becomes a city which is less unequal, that is to say, one that is more human and more democratic, a city in which the condition of each one of its dwellers can be improved.

In order to achieve this goal, the public sector's priorities will have to be re-examined and more resources obtained for investment. These new priorities ought to be defined by common agreement with the people of these communities and quarters and action undertaken jointly and objectively with the different interests. The financial resources for this will come from public taxes, from the productive system of the country itself and of the city in particular. It will be observed that the poorest sectors of the population are provided with the worst infrastructure and that to make matters worse, the services they lack are those which gradually demand a greater cost per capita. In this connection, note the curve "y" in figure 3, which indicates the cost ratio of each of the urban services for the user population from the cost per capita viewpoint.

With respect to the query "Where are we going?", the shackles of history and the existing institutions should be broken. We need break free of these fetters that have bound us for two decades. Right now we are facing a much more serious crisis, which is displaying new features: the socio-economic inequalities are increasing and worsening; the world economic crisis is aggravating the problems of unemployment and threatening the stability of economic policies; mechanization has increased and computer science has developed, both of which highlight the need for productivity. Furthermore, in the financial sphere we are heading for a crisis and although some solution to it will be found in the medium or long term, at the present time it is tending to strengthen the root cause of the duality found in Latin American societies.

With respect to housing for the poor classes, this ought to be faced as a problem which must find its own solution. Furthermore, it should be treated as a separate issue from the granting of housing financing to the middle or more wealthy classes, at the family or community level. The action taken by the public sector in respect of the income group employed in the informal sector should be indirect or induced but not direct and given priority, as is being done at the present time. The public sector must act more objectively on the issue of land ownership which is the number one priority for any shanty town dweller. It should also concentrate on providing a better urban infrastructure, which will enable the city dweller to live, produce, coexist and develop with greater dignity and under better living conditions.

In conclusion, it must be emphasized once again that the ECLAC seminar is the ideal place for discussing these issues because the Commission has always been innovative and has always uncovered hidden problems because it is prompted by the desire to see a more prosperous and developed Latin America.

The dual metropolis of our countries is a serious problem which has not received the attention it deserves. In order to face this new challenge, it is important that the public sector should implement policies urgently to reduce inequalities in our cities. In fact, the poor and lowly of our metropolises need more than just a roof over their heads; they need to be shown paths which will bring them to new thresholds and lead them to new doors through which they can pass to become masters of their own destiny.

In the dual Latin American metropolis, more than a roof, it is important that the public sector should offer new ways and new doors to the poor in the informal sector, who today are barely surviving in these large cities of underdevelopment.

Notes

1/ See Edmar Bacha, "Sobre a dinamica de crescimento da economia industrial subdesenvolvida", Pesquisa e Planejamento Económico, Vol. 3, No. 4, Rio de Janeiro, December 1973, pp. 937 to 952.

2/ The study of the document in the seminar and the empirical situation of other countries suggest that this dichotomy is much less important in the capitals of other Latin American countries where the economies are less internationalized, but are still dual in other respects.

3/ See Paulo Vieira da Cunha, "Dualismo no mercado de trabalho: uma verificação empírica em uma amostra de trabalhadores de baixa renda", Pesquisa e Planejamento Económico, No. 1, Rio de Janeiro, April 1987. It is important to note that the dual concept has usually been associated with the gap between poverty and wealth. This distinction has to be re-examined in light of the situation which obtains in the middle-class labour market, which is often informal but nonetheless produces family incomes way above the basic wage. However, the more traditional concept is being utilized in this paper.

4/ Jorge Jatobá, "Mercado de trabalho e crise: o caso do Nordeste (1981-1983)", Anais do V Encontro Nacional de Estudos Populacionais, 1986, Vol. III.

5/ John Donahue, "Some facts and figures on urbanization in the developing world", Assignment Children, Vol. 57/58, 1982.

