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**THE URBAN POOR AND THE LABOR MARKET:
THE CASE STUDY OF LATIN AMERICA**

Bachelor Thesis

Supervisor: Ing. Mgr. Hana Brůhová-Foltýnová, PhD.

Olomouc, 2009

I declare in lieu of oath that I wrote this thesis by myself. All information derived from the work of others has been acknowledged in the text and a list of references is given.

Olomouc, 2009

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Signature

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Outline of the thesis:

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2. Definition of the used terminology (such as urban poverty, labor market, formal and informal sector)
3. Urban poverty in Latin America (current state, trends, influence of poverty on economic development)
4. Analysis of obstacles for urban poor entering the formal labor market (on the both supply and demand sides)
5. Discussion of possibilities to overcome obstacles in integration of urban poor into the formal labor market
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7. Conclusions
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Levy, S.: Can Social Programs Reduce Productivity and Growth? A Hypothesis for Mexico. Paper presented at the Eight Global Development Conference organized by the Global Development Network in Beijing, China, January 12-19, 2007.

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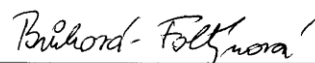
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LIST OF ABBREVIATION

ICBF	Colombian Institute for Wellbeing of Families
IFPRI	International Food Policy Research Institute, Colombia
ILO	International Labour Organization
KILM	The Key Indicators of the Labour Market
LAC	Latin America and Caribbean
NGOs	Non-governmental organizations
PRODEL	Local Development Program in Nicaragua
Sida	Swedish International Development Cooperation Agency
UN Habitat	The United Nations Human Settlements Programme
WB	The World Bank Group

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1 INTRODUCTION

During my studies of poor countries development I have always been thinking about the differences between rural and urban poverty. Actually, I have wondered which poverty, whether the rural or urban, is more affecting the country or to which one should be paid attention as the first. Unfortunately, I realized that both urban and rural poverty leave people living in inadequate conditions from which they are trying to escape, that their interconnection is furthermore deeper than it can seem at first. One of the most important common elements which both concepts of poverty incorporate, is the effort to survive, therefore the effort to make some income for everyday living.

As the Latin America and Caribbean is the most urbanized region in the world, I focus my thesis at the urban poor, who immigrated from the rural areas with a vision of better economic opportunities, more exactly, with a vision of higher opportunities of employment and income generation activities. The main aim of the thesis is to give an objective and proper *analysis of the obstacles for the urban poor entering the formal labor market.*

The aim of this bachelor thesis is also to highlight the situation of the urban poor in the cities of the Latin America and Caribbean, their real economic opportunities of income generation and employment. The first chapter defines used terminology (such as urban area, urban poverty, labor market) in order to explain terms in the LAC context and also to provide better understanding of the thesis meaning. The second chapter describes contemporary situation of the urbanization, urban poor, living conditions of the urban poor in connection with employment, item situation at the labor market – including state of the main indicators of the labor market (employment, unemployment, underemployment) and also appoints at failures at the recent labor market. The third chapter is to analyze the recent and present situation of the urban poor who enter labor market and face, directly or indirectly, to the obstacles at the formal labor market. The chapter also demonstrates popular activities at the informal labor market as an alternative for the urban poor who cannot or find difficult to enter the formal labor market. The thesis also includes data from author's research, in which is described the situation of peri-urban community living in the Caribbean part of Costa Rica. The last chapter is a reaction on the obstacles analyzed on the Costa Rican case study, when there are set possible solutions in respect of the urban poor's contribution and therefore urban poverty alleviation in the community. The suggested solutions are always supported by the case studies from LAC region that are to work in praxis already.

1.1 Methodology

The thesis is primarily compilation based on the qualitative literature survey. As the main data resources were used experts' electronic articles and studies, available in foreign languages only. The Czech literature dealing with mentioned topics do not exist, thus no Czech resource is used in this work.

Second chapter containing definitions of the used terminology is elaborated and based mostly on terms database created by the International Labour Organization, as the most of the terminology concern the employment and labor market issue. The third and fourth chapters are developed as an analysis of the literature survey (as the fundamental is to be the World Bank's study edited by Marianne Fay and William Maloney). The current situation of the urban poor is enriched by graphs generated from ILO KILM database¹; the formal labor market obstacles are analyzed by working with literature (based on different authors' studies and experts' articles), but deduction is used as well. The next chapter is the only part that is not derived from the literature survey. This part is based on the author's field research which was implemented under the supervision from the Costa Rican Earth University. It concerns the qualitative field research; its detailed methodology is describes in the fifth chapter. The last chapter offering possible solutions for the obstacles found on the Costa Rican case study is based on the projects and programs description that are adopted from the literature survey.

¹ The Key Indicators of the Labor Market (KILM) is a statistical program developed by ILO, which identifies and classifies all needed faces of employment, to provide overview related to the decent work opportunities as one of the most required tool for poverty alleviation.

2 DEFINITION OF THE USED TERMINOLOGY

The aim of this chapter is to define frequently used terms and crucial terminology needed for clearer understanding of my thesis. Generally, some terms are defined only vaguely in literature (for example working poor or informalization) or there are different definitions applicable for one term (for example employment, urban poverty). In this chapter, I want to explain how the terms are comprehended in the sources I gained the information from. This chapter includes terms such as urban poverty (urban area, comparison of urban to rural poverty and different concepts of urban poverty), labor market and its main indicators (employment, unemployment) and various forms of employment (formal, informal, self-employment, contract employment).

2.1 Urban poverty

The term urban poverty consists of two words which both constitute a very difficult term for defining. When *poverty* is seen from different aspects, the *urban* does similarly. Following each country’s definition for city, town, village we cannot easily agree even on criteria to decide what can be considered as an urban settlement. *Urban area* within the LAC countries is mainly defined as a populated centre, in some countries expressed by number of inhabitants living in, or as important centers for administrative divisions, (see Table 1).

Table 1: Definitions of an urban area, the South America

Country	Urban area definition
Argentina	Populated centers with 2 000 or more inhabitants.
Bolivia	Localities of 2 000 or more inhabitants.
Brazil	Urban and suburban zones of administrative centers of municipalities and districts.
Chile	Populated centers which have definite urban characteristics such as certain public and municipal services.
Ecuador	Capitals of provinces and cantons.
Paraguay	Cities, towns and administrative centers of departments and districts.
Peru	Populated centers with 100 or more dwellings.
Suriname	Paramaribo town.
Uruguay	Cities.
Venezuela	Centers with a population of 1 000 or more inhabitants.

SOURCE: Demographic Yearbook 2005, table 6

In my thesis I reflect urban poor as inhabitants of slums, rather than of urban areas. According to UN Habitat (2007), “*slum* means term which describes a wide range of low-income settlements and poor human living conditions”; and today slums have come to include the vast informal settlements that are quickly becoming the most visible manifestation of urban poverty in developing world cities.

2.1.1 Urban versus rural poverty

In literature urban and rural poverty is usually strongly distinguished. Urban poverty is called so not only because of having poor people living in the cities and urban areas but also to distinct somehow from the *rural poverty* by certain characteristics. However, the concept of rigid dichotomy is no more accepted as explanation but rather a theory of continuous interactions between those two different living environments, specially related to the economic activity in the developing countries. In rural areas the majority lives owing to agriculture as a way of life. Ray (1998) thinks “the interconnection between agriculture and the rest of the economy, notably the industrial sector, is to be highly important.” Moreover, he adds that as economic development proceeds, individuals move from rural to urban areas: agriculture acts as a supplier of labor to industry. To be specific, the agriculture basically must be able to produce more than is even for own consumption (surplus) which serves to feed those who are not involved in a nonagricultural sector. According to Wratten (1995) “the interdependence between town and countryside exists in areas such as rural–urban migration and population growth, seasonal labor, the markets for food, industrial goods and services, water supply and demand, facilities for education, health care and recreation, flows of remittance income and family support networks.” Furthermore, according to Fay (2005) “the migration itself represents an element in the continuity between rural and urban settlements.”

2.1.2 Different concepts of urban poverty

Despite there exist the obvious interconnections between rural and urban areas, the urban poverty is characterized by certain signs. The urban areas comprise very diverse place; we speak about *heterogeneity concept* - heterogeneity in the urban nature and functions within one city (inner-city, suburbs, peri-urban), in the people’s lifestyle, their different origin and background. “The analysis of heterogeneity reveals that the incidence and manifestation of poverty varies enormously between and within different urban areas, and even within particular neighborhoods” (Saavedra, 2002).

However, there are some common characteristics of urban poverty. For example, the World Bank researchers (Baharoghlu and Kessides, 2001) came up with *five dimensions framework*

of poverty (see Annexes, Matrix 10.1) which implicated in an urban context. Following the criteria income/consumption, health, education, security and empowerment we can notice a mutual influence while discussing one mentioned dimension by others and how each dimension includes assets ownership.

First, *income generation* in urban areas represents dependence of urban people on cash; Fay (2005) agrees with the mentioned dimension and describes even that “living in city means living in a monetized economy, where cash must be generated to survive.” Insufficient income causes inability of urban poor to afford good and secure housing, essential public services, upgrading in human social capital. *Health* as the second dimension should ensure basic health and hygienic conditions which form human capital, without that poor are unable to hold job and earn sufficient income, increase their level of education. Third, *access to education* and the educational level obtained is a clue factor for getting a well paid job, avoiding criminality and delinquency, getting involved in political activities and gaining knowledge. Fourth, *security* fastening, including environment, tenure and personal security, enables people to be owners of physical, social and human capital. Fifth, *empowerment*, especially the political one, should provide to urban poor access to services, information and opportunities for jobs obtaining, learning of citizen rights and responsibilities.

Wratten (1995) comes with a very similar conclusion on poverty characteristics related to urbanization as the WB researches found. As the first characteristic, he mentions *urban environmental and health risks*. It includes living in the spoilt environment by industry production, overcrowded hazardous living and housing conditions caused by inadequate urban growth. Other characteristics are suggested by Fay (2005), who likewise asserts the presence of *vulnerability arising from commercial exchange* as people need to generate cash for everyday living expenses (food, water, basic goods) and so become totally dependent on commercialization. *Social diversity, fragmentation and crime* are caused by culture, ethnic, religious and household type background. The behavior becomes more impersonal and in competition for everyday survival, people need to win for their own wealth being often giving rise to criminality and lack of trust. *Vulnerability arising from the intervention of the state and police* is about the fact that urban people are more in direct contact with local government representatives (policeman, leaders, statutes adjusting their housing, etc.) than the rural ones. Their experiences with direct facing to government rules and statutes make them vulnerable as those who have a lower education level achieved or lower social status.

All the concepts come up with similar values, nevertheless, Wratten (1995) expresses them rather as “risks, system impotence and obstacles in everyday life.” On the other hand, World

Bank (Baharoghlu and Kessides, 2001) defined the dimensions as positive values which should be accomplished in order to provide the urban poor decent living conditions. Anyway, Wratten adds furthermore the significance of environment and risks related to living conditions of the urban poor. Fay in general concentrates more on the income generation graveness that among others we can find in both of the previous concepts; however living in city is related to such a hard assets gaining and obstacles overcoming, “city still represents a number of positive externalities for the urban poor, such as deeper labor markets, better amenities and services, greater freedom, and possibly less discrimination against certain social or ethnic groups” (Fay, 2005).

“Since the 1960s, cities in the developing countries have faced an unprecedented rate of urbanization and increasing poverty” (WB Group, 2001). The urban centers started becoming increasingly concentrated while cities were not prepared to deal with such amount of newcomers. Wratten (1995) describes this “result of rapid urbanization, within the next two decades the proportion of the world’s population living in towns and cities is set to overtake the proportion living in rural areas for the first time.” This fact can be actually a possible consequence of economic crisis at that time as well as bounce of structural adjustment policies implicated in poor countries.² “The real income of workers declined during the 1980s in the majority of countries in the region and this decline took place in a context of greater concentration in the distribution of income, giving rise to an uncontrollable deterioration of the standard of living of Latin American households” (Gonzales de la Rocha, 1995)³. The rural inhabitants leave their background and living style because of many reasons, but mainly they expect more employment opportunities and more effortless access to basic services. Coming to the urban areas they bring their abilities and skills to exchange them into the financial capital; such transformation takes place at labor market.

2.2 Labor market

The International Labor Organization (ILO) defines labor market as “a system consisting of employers as buyers and workers as sellers, the purpose of which is to match job vacancies with job applicants and to set wages” (ILO, 2007). There are two general techniques how to analyze labor market – from macroeconomic and microeconomic point of view.

²The structural adjustment imposed by neoliberal-style policies has required changes in domestic economies. Although the impact of economic adjustment has varied with the social group or category and has taken place at different times, these changes display a regular pattern (Gonzales de la Rocha, 1995).

³ Gonzales de la Rocha dedicates her professional life to Mexican urban poor researching. She has been implementing her researches for many years; the cited articles come from the different time period, the first (1995) describes situation in 1980s, the second (2006) analysis situation after the year 2000.

Microeconomic techniques describe behavior of individuals (consumers) and individual firms, companies, groups while *macroeconomic* techniques show behavior of overall economy - labor market, capital (financial) market and goods market are influencing the main economic indicators of country or the whole world by their mutual interactions. The ILO also formulated main labor market indicators which serve for labor market analysis; between those indicators can be found terms such as employment and unemployment. Below, I summarize some definitions of employment and unemployment and their different forms.

2.2.1 Employment

Employment according to ILO equals to “work carried out in return for payment” (ILO, 2007). Also refers to the number of people in paid employment and self-employment above a specified age during a certain period. Because there are so many forms of employment, there are efforts to systemize them. One of them is represented by The Key Indicators of the Labor Market (a statistical program developed by ILO, which identifies and classifies all needed faces of employment, to provide overview related to the decent work). Thus KILM states employment in developing countries as following. The definition encompasses marginal jobs, low-paid jobs of one or two hours a week, as well as full-time jobs with high earnings and generous employment benefits. Employment in the three-tiered labor force framework that gives precedence to employment over unemployment and unemployment over inactivity, when classifying economic activity, is broadly defined intentionally to cover various forms of work and the highest number of people at work, even if only for one hour during a particular short reference period. “*The one-hour criterion* consequently allows for short-time work, casual labor, stand-by work, and other forms of irregular employment common, particularly in low-income economies” (ILO, 1997). The urban phenomenon related to the working hour criterion is supposed to be *underemployment*; this term is defined as “an underutilization or inefficient use of a worker's skills, qualifications or experience, or where the worker is unable to work as many hours as he or she is willing to” (The International Labour Organization, 2007). In the case of the LAC region, underemployment refers to prevalent problem, and is claimed to be a much more significant marker for poverty in urban areas. The consequences of underemployment constitute especially lower employment of poor people (because of their larger families, lower education levels, and less access to services) than in the case of their richer neighbors. Therefore, to aim efforts to underemployment decrease could become a successful mean of urban poverty alleviation. For example, according to Fay (2005), “in the

case of Costa Rica is estimated that urban poverty would decrease from 14% to 8% if the poor participated in the labor markets as much as the non-poor.”

In all developing countries there are apparent two forms of employment (or as whole economic activity) in formal and informal sector.

The *formal sector* “is set up in a way that permits the creation and maintenance of records; firms in the formal sector are relatively tangible entities: they can issue shares and pay out dividends, they can be audited, and they are protected by bankruptcy laws and implicit or explicit forms of insurance” (Ray, 1998).⁴ In developing countries where lack of government attention and interest can cause failures in decent work observance, we usually find as consequence of such policies, some companies making the formal sector for workers (*formal salaried workers*) not so attractive. According to Maloney (1999), there are “two important factors discouraging workers to choose the formal salaried work. First, labor protection laws often levy an implicit tax on workers.” Basically, a worker chooses to avoid the labor taxes payments rather than to be protected by protections requiring severity and respects. Second, “the various modalities of informal work may offer other desirable characteristics, such as greater flexibility or possibilities for training that suit some workers better than those of a formal salaried job” (Maloney, 1999).

The informal employment includes all remunerative work (i.e. both self-employment and wage employment), that is not registered, regulated or protected by existing legal or regulatory frameworks, as well as non-remunerative work undertaken in an income-producing enterprise. “Informal workers do not have secure employment contracts, worker's benefits, social protection or workers' representation (ILO, 2007). As Maloney (2003) adds, “informal sector is characterized by an absence of benefits, irregular work conditions, high turnover and, overall, lower rates remuneration.” *Informalization* is according to Maloney (2003) “an effort by firms facing international competition to reduce these legislated or union induced rigidities and high labor costs, particularly through subcontracting production out to unprotected workers.” Such efforts can be represented by following labor force modalities: self-employed workers, informal salaried workers and contract workers. *Self-employed workers* are those who own informal firms, small businesses. Maloney (1999) thinks that “workers in developing countries who choose to start small firms have the same desire for independence or the same entrepreneurial ambition as their counterparts in industrial countries.” *Informal*

⁴ Implicit form of insurance is perceived as costs for a company that are not paid by a company in reality, but are so called lost profits; explicit form of insurance – is covered in costs that are paid really in order to buy or hire the production factor (in case of insurance is production factor a labor force), (The International Labour Organization, 2007).

salaried workers are those employed by informal firms and are considered to be the most disadvantageous ones in the overall urban workforce. “They receive neither the benefits of self-employment nor the benefits of formal employment” (Maloney, 1999). Between the benefits that they can lose, belong for example social security and pensions (available for workers in formal sector), and status of being own boss, flexible working hours (advantages of self-employment).

The informal salaried work shows that serves in the most of the cases to young, low educated and low skilled work force as initial, but not exclusive, entry to labor market which provides them experience and skills gaining. Third modality represents *contract workers* who are not paid regularly but by piece, by certain fixed contract, by percentage. Contract work is seen on one hand as degraded labor (fewer benefits, lower wages, and worse conditions), on the other hand Maloney (2003) sets an idea that “it may serve as improving arrangement between informal workers and firms in the formal sector.”

2.2.2 Unemployment

Unemployment includes “all unemployed who are defined as all persons who are not in paid employment or self-employment, who are available for work and who are currently seeking work” (ILO, 2007). There are different types of unemployment which are formed according to labor market situation and the state of macroeconomic behavior - cyclical, fractional and structural. The *fractional unemployment* occurs when a worker leaving one job looks for another one; the *structural* one is caused by employers offer such employment for which the demand does not have skills – the jobs are offered just in one sector-structure not suitable for demand. The *cyclical unemployment* is related to business cycle depression. For LAC countries a *seasonal unemployment* is also characteristic (mainly in agriculture influenced by harvest period) and partial unemployment that is caused by employers behavior (to avoid paying taxes they, for example, employ their workers for two months, then they fire them and again employ for two months).

Generally, the unemployed urban poor (influenced by any of unemployment type) lose their main function accountable to their families – lose income generation ability. Moreover, “in urban context being unemployed requires forgoing a whole series of experiences and social links that are crucial for well-being and social identity: physical activity, social contact, collective purpose, time structure, and social status” (Gonzales de la Rocha, 2006). Furthermore, Gonzalez de la Rocha (2006) remarks that “it is a disrupting and dislocating

individual and social experience that affects the lives, the use of time, and the social relationships of the unemployed and their households.”

There is one more term which is claimed to be very typical for the Latin American and Caribbean region – the working poor. “The concept of the *working poor* was developed to highlight the relationship of poverty to economic participation and to examine the inherent poverty built into the socioeconomic structure of Latin American urban societies” (Gonzales de la Rocha, 2006). This concept indicates labor market failure when – despite workers demonstrate regular and active labor participation and even work overtimes - their income generated still keeps them in poverty. This fact is very significant to consider as a cautionary element of employment rates in the LAC region.

3 URBAN POVERTY IN LATIN AMERICA

In this chapter I describe the state of urban poverty in the LAC region. I start with urban poverty description, its formation as consequence of rural-urban migration, current state, recent trends and prognosis. Also, I reflect the urban poverty related to the growth elasticity and incidence of urban poverty comparing to the rural one. An important point of this chapter is influence of macroeconomic depression on urban poverty and urban poor households, especially households’ behavior change in the income gaining on the labor market. The reflection of the income generation also comprises the recent trends on labor market and its important indicators - such as employment and unemployment.

3.1 Rural-urban migration

The urban poverty increase is claimed to be mainly caused by the rural-urban migration, rather than natural population growth. Gonzales de la Rocha (1995) observes that “the increase in poverty in the cities is doubtless related to the impoverishment of the rural population and rural – urban migration.” Generally, in LAC countries, the urbanization is perceived as a way of escaping the rural poverty and a vision of benefits such as greater employment opportunities, higher income, better access to services (especially to education and health care). For example, for one of the most vulnerable social groups, women headed households in Latin America; “there are greater opportunities for women’s work in cities, while in parts of Africa customary law excludes women from owning rural land in their own right, and the city further offers a means for their independent survival after marital separation” (Wratten, 1995).

Table 2: Poverty is urbanizing in Latin America and the Caribbean (millions), 1986-2000

Year	Total poverty		Extreme poverty	
	Urban	Rural	Urban	Rural
1986	71	65	26	32
1995	102	79	38	47
1998	102	76	39	46
2000	113	76	46	46

SOURCE: *The Urban Poor in Latin America, The International Bank for Reconstruction and Development/The World Bank, 2005*

3.2 Current state, recent trends and prognosis of urban poverty and urbanization

Latin America and Caribbean (LAC) represent a region with almost the highest percentage of people living in the cities. As seen in Table 3, around 77.4% of inhabitants of this region lived in urban areas in 2005; expressed in absolute values it means 432.6 million inhabitants. Despite the annual percentage growth of urban people decreased (see Table 4) from 2.18% in 1995-2000 to 1.86% in 2000-2005, the presumption shows rather increasing percentage. In 2030 around 84.3% of inhabitants should live in urban areas of LAC. According to the Fay (2005) “the expected increase, which projects natural population growth, implies a 16% increase in the number of urban dwellers, representing 75 million people.”

3.2.1 Growth poverty elasticity and urban poverty incidence

Economist at the World Bank, Fay (2005), claims that “the absolute number of urban poor people is high: 60% of the poor (113 million people) and half the extreme poor⁵ (46 million people) in the LAC region live in urban areas”. Gonzales de la Rocha (1995) adds that “urban Latin America is characterized by higher indexes of absolute poverty in urban context than in rural ones.” Furthermore, the pace of urban poverty increase is much higher than the rural one, both total and extreme poverty (see Table 2). Also concerning growth elasticity of poverty⁶, the city life is much more dependent on the economic growth; it means that in urban areas economic increase has easily grave impact on poverty reduction, but on the other hand, the economic decrease influences the urban inhabitants very seriously as well. Moreover, the most of the developing countries (especially in the LAC region) experience high income inequality that makes reduction of poverty even more difficult. Fay (2005) finds that “the elasticity of poverty with respect to the growth is in Latin America about -1,3 in urban areas and -0,7 in rural areas (it means, when economic growth rate increases by 10%, the poverty decreases by 13% in urban areas and by 7% in rural areas; on the other hand, when economy decreases by 10%, the urban poverty grows by 13% and rural poverty by 7%).” Therefore, the urban poor in the LAC region are to be more vulnerable than their rural co-citizens in association with the economy depression.

⁵ Extreme poor (also as chronic poor) means people who have incomes below the cost of a basic food basket and have more than one basic necessity unfulfilled.

⁶ Growth elasticity of poverty refers to the percentage reduction in poverty rates associated with a percentage change in per capita income.

Certain social groups and types of households have higher or lower incidence of urban poverty. “It appears that certain types of households – very young households, very old ones, and those with women as heads – are more vulnerable than the others” (Gonzales de la Rocha, 1995). This fact is confirmed also by Fay (2005) by remarking that “factors increasing the probability of being poor include living in a larger household, with a younger or female head; having less education; and living in a household in which both the household head and the spouse are unemployed (searching for employment rather than “not working”).” Gonzales de la Rocha (2006) also mentions how “smaller households (frequently nuclear) and households in the expansion stage (frequently small, nuclear households with a high young-age dependency ratio⁷) had a limited capacity to defend their incomes and consumption patterns. There are households whos (United Nations, 2008)e vulnerability - in terms of their structure and composition and the availability of labor - makes them less able both to take advantage of the options in the workplace that open up in an era of prosperity and expanding employment and to defend themselves against a decline in salaries and economic deterioration” (Gonzales de la Rocha, 1995).

Table 3: Percentage of Urban Population, 1980-2020

Year	Percentage of Urban Population
1980	64.9
1985	67.9
1990	70.6
1995	73.6
2000	75.3
2005	77.5
2010	79.4
2015	80.9
2020	82.3

SOURCE: World Urbanization Prospects: The 2007 Population Revision Database: The 2007 Revision (United Nations, 2008)

⁷ The young-age dependency ratio is the ratio of the number of young persons at an age when they are generally economically inactive (persons aged under 15) divided by the number of persons of working age (persons aged 15-64).

Table 4: Urban annual growth rate (%), 1980-2020

Year	Urban annual growth rate
1980-1985	2.98
1985-1990	2.67
1990-1995	2.38
1995-2000	2.18
2000-2005	1.86
2005-2010	1.71
2010-2015	1.51
2015-2020	1.32

SOURCE: World Urbanization Prospects: The 2007 Population Revision Database: The 2007 Revision (United Nations, 2008)

3.3 The influence of macroeconomic depression on the urban poor households

In association with the above mentioned vulnerability of urban poor caused by growth elasticity of poverty, this paragraph is to reflect how severally the urban poor are marginalized by economic depressions; and more importantly, how they change their behavior as a work force at the labor market. This behavior changes are important to understand clearer the recent labor market situation within Latin American countries.

Generally, the urban poor are hit by the macroeconomic changes more gravely than the rural ones; as they are dependent on the urban monetize society more narrowly. Wratten (1995) discovered that “while the proportion of Latin America’s rural households living in poverty remained static or declined between 1981 and 1986, the proportion of poor urban households increased; it means, in the late 1980s, the percentage of rural households in poverty was higher than the corresponding percentage of urban households.” Related to Wratten’s claim, Fay (2005) talks about “a higher vulnerability of urban poor to macroeconomic crises and as the main reason she sees that the negative implication of the higher elasticity of urban poverty to growth is that urban populations are more vulnerable to macroeconomic shocks than rural one.” Other significant reason making the urban poor more vulnerable reflects the daily needs consumption. For example, food represents a crucial element in every household’s life and its changing prices have serious effect on households’ expenditures. “Food expenditures can absorb as much as 60-80% of the total income among the urban poor, and their food

consumption is much more sensitive to changes in income or food prices than that of the rural poor” (Fay, 2005). During the macroeconomic depression the prices of food ordinarily grows up and logically, the consumption decreases, as shows Gonzales de la Rocha (1995) – when the means of protecting consumption proved insufficient, the urban poor were forced to consume less; “in Chile from 1970 to 1985, the consumption of wheat, sugar, rice, meat and milk products decreased to such a degree that their levels of per capita consumption by the mid 1980s were lower than the level of the 1960s.”

3.3.1 Households’ behavior changes in income generation activities

Moreover, the real income of workers declined during the 1980s under the economic depression in the majority of the countries in the region; and generally, “there has been restructuring of the division of the labor, consumption and organization of households that has kept household incomes in the popular urban sector from suffering the same drastic decline of salaries and individual income” (Gonzales de la Rocha, 1995). Households then forced to face such situations changed their behavior on the labor market, both on the formal and informal. First, the extension of households showed to be a very effective strategy dealing with income decrease. “The extension of households was achieved mainly through the incorporation of additional adult members; this was interpreted both as a savings mechanism (through sharing housing costs) and as a way to increase the number of available members for income-generating activities” (Gonzales de la Rocha, 2006). To conclude, the urban households increased working members under one roof, as well as sources of income while the individual income decreased significantly.

Second, there has occurred intensification of women’ income generation activities – women’ salaried work. “Longitudinal studies conducted throughout the 1980s show that the crisis forced housewives – mothers with heavy responsibilities in domestic work and low levels of education – into the workplace; furthermore, it has been observed that they are being forced into informal and poorly remunerated jobs or self-employment” (Gonzales de la Rocha, 1995). The new female jobs are mostly in informal occupations and self-employment and have been attributed to characteristics of women entering the labor market in recent years: limited schooling, older (thirty or older), with young children, and either married or separated (Gonzales de la Rocha, 2006). This women’s presence as a work force represents significant fact up to the presence.

Thirdly, higher social capital within the urban poor households can play a crucial role for finding opportunities while trying to improve their life conditions. Explained by words of

Mexican researchers – “greater social connections are found to be positively associated with employment, suggesting that social capital does indeed play a role in the economic wellbeing of poor households” (Saavedra, 2002). “The importance of the networks of mutual assistance maintained by relatives and neighbors, godparents, friends and fellow workers, have formed a part of the sources of income and resources of the urban poor in Latin America” (Gonzales de la Rocha, 1995). *Networking* has become an important strategy of household survival, both for men and women, who are engaged in activities and work fields also spending their social time. Between such networks there occurs so called *social exchange* that Gonzales de la Rocha (2006) defines as “the flow of goods and services within networks of friends, neighbors, workmates and relatives – it was important in helping low-income households to meet socially set standards of living.” Although, the networking is represented both by men’s and women’s activities, “it is women’s networking that became a crucial factor in daily life, providing support in child care and household chores and crucial information about new sources of income” (Gonzales de la Rocha, 2006).

3.4 Current state of labor market indicators in the LAC region

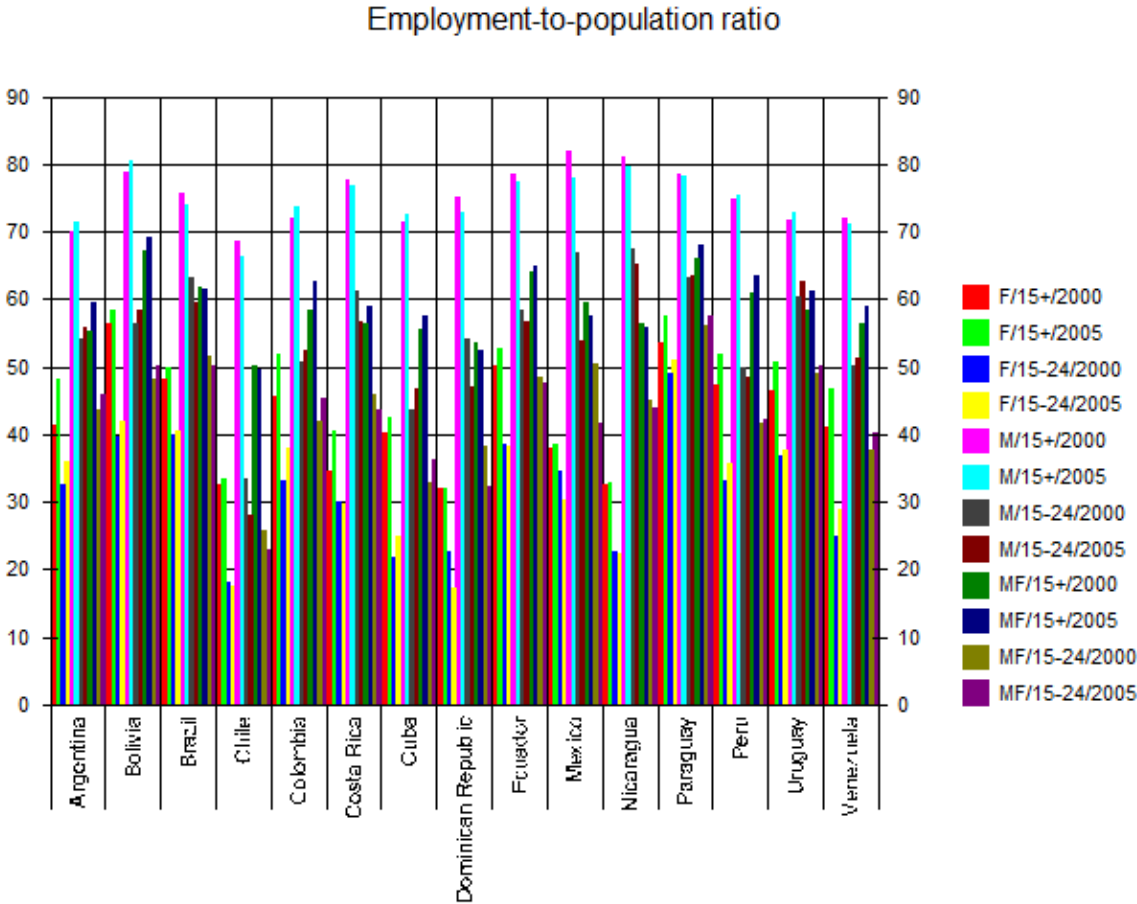
“The recent analyses have documented the rise of underemployment and the growing number of people who earn extremely low wages and are excluded from formal and more secure labor markets” (Gonzales de la Rocha, 2006).

The recent economic growth within Latin America and Caribbean continues apace that helps to meliorate main labor market indicators, especially concerning the wages and employment. “Boosted by strong labor demand, the employment rate raised again, by half a percentage points, to 54.0% of the *working-age population* —the highest rate in 15 years” (Comisión Económica para América Latina y el Caribe /CEPAL/, 2006). Employment to population ratio⁸ (as see Graph 1), do not differ so much in selected countries comparison, but is distinguished rather by gender. Very low rates of employment to population ratio are indicated among women (aged 15+ and especially 15-24) who logically spent much time in domestic unpaid work; as an opposite can be seen high rates among men (aged 15+) that appoint at men’s important role of bread winners during their whole economic active period. Anyway, the half percentage increase of employment has been caused by rise in labor market participation. “The rise in labor force participation helped to swell the urban workforce by

⁸ Employment to population ration is defined as the proportion of a country’s working-age population that is employed. A high ratio means that a large proportion of a country’s population is employed, while a low ratio means that a large share of the population is not involved directly in market-related activities, because they are either unemployed or (more likely) out of the labor force altogether.

around 2.5% (about 5 million people, compared to about 3.5 million in 2005), so the increase of more than 3% in the number of urban employed (some 5.6 million individuals) brought down the absolute number of unemployed by only about 600,000; on average, about 18 million people were unemployed during the year 2006” (CEPAL, 2006).

Graph 1: Employment to Population ratio (ILO Estimates; selected countries)⁹



SOURCE: KILM 5th Edition, the International Labor Organization, Table 2a

Concerning the general unemployment (see Graph 2), the rates reach different values within the selected countries of the LAC region. The most severe situation of unemployment is indicated in Dominican Republic, Colombia, slightly Argentina, Venezuela and Uruguay. In

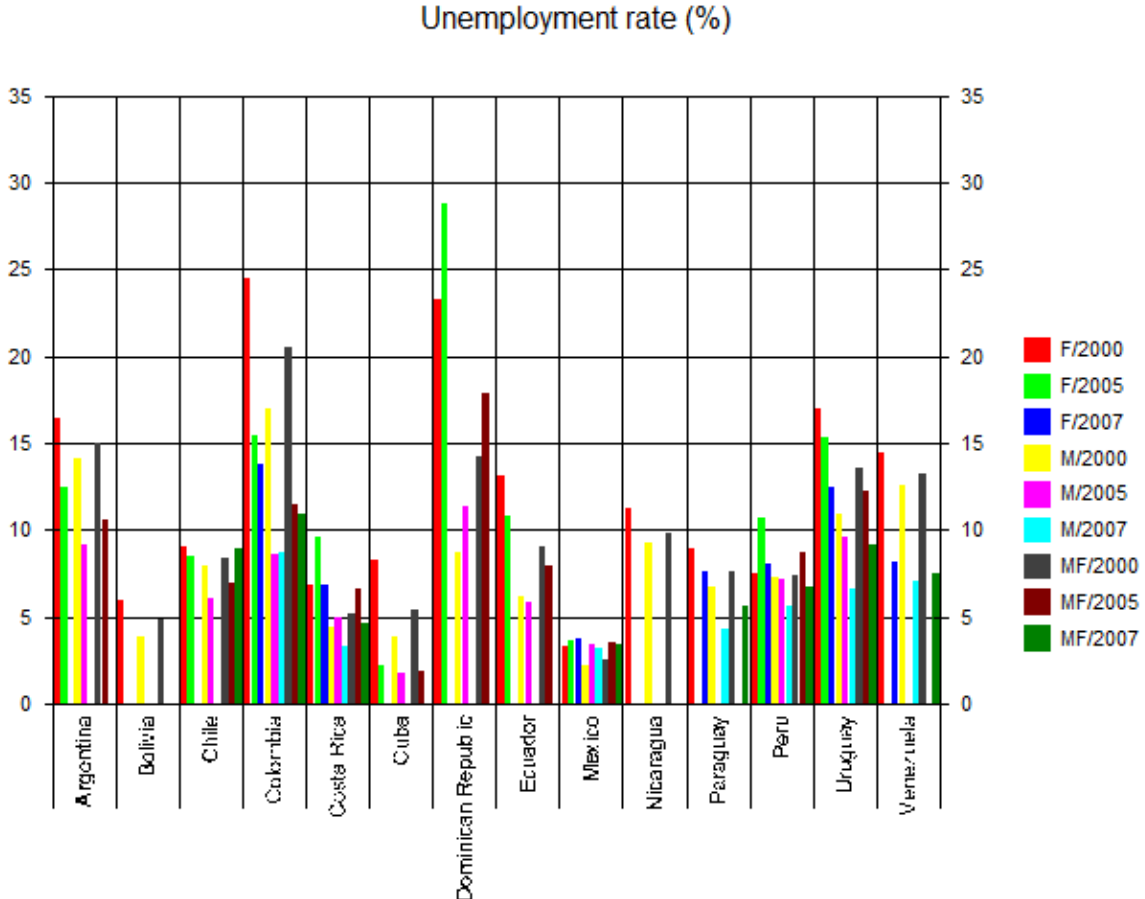
⁹ Caption (applicable for Graph 1, 2, 3):

- M – values expressed for male employment-to-population ratio
- F – values expressed for female employment-to-population ratio
- MF – values expressed for female and male (together) employment-to-population ratio
- /15+/- values expressed for population aged 15 and older
- /15-24/- values expressed for population aged 15 up to 24

general, the unemployment rates fluctuate ranging from 5-10%, while the rates for women are always slightly higher than for men (in some countries like Dominican Republic, Colombia and Uruguay the female rates are even much higher than for men). The most balanced unemployment rates in terms of gender and time periods are registered in Mexico (where is unemployment also according to the graph the lowest), also in Peru, Chile and Costa Rica. In general, the graph delineates lower rates in 2007, both women and men, comparing to other past years.

“In the first three quarters of 2006 formal employment rose by a year-on-year average of 8.8% in Argentina, 4.9% in Brazil, 6.4% in Chile, 6.7% in Costa Rica, 6.2% in Mexico, 10.4% in Nicaragua and 6.7% in Peru” (CEPAL, 2006). But the accrual of formal jobs opportunities reflects in many cases just formalization of former informal occupations and small businesses.

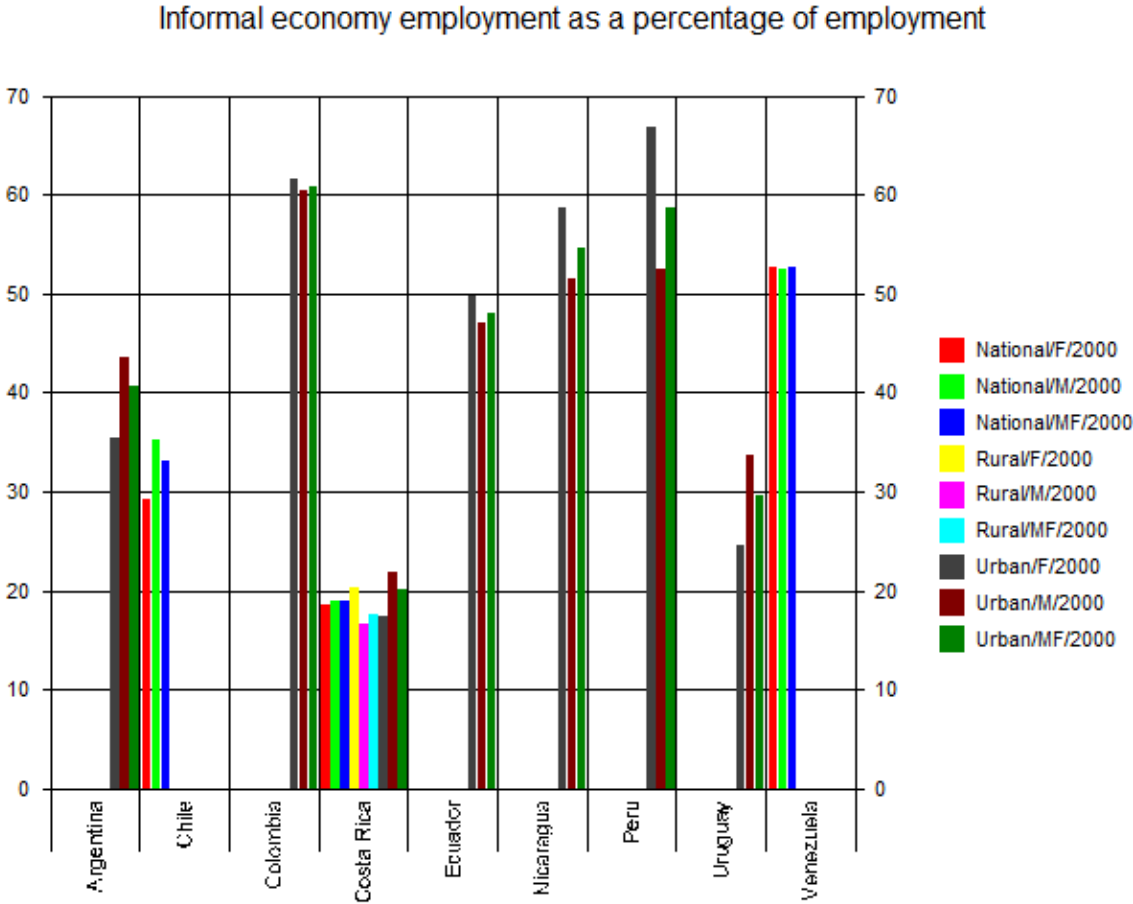
Graph 2: Unemployment (selected countries)



SOURCE: KILM 5th Edition, the international Labor Organization, Table 8a

The informal economy employment (see Graph 3) is registered especially in urban areas and the percentage in some of the selected countries tends to be high (as in Colombia, Peru, Ecuador and Nicaragua). Very important fact is seen at the columns for Peru, Ecuador and Nicaragua where female urban participation in the informal sector is marked to be higher than the rates for male. Anyway, there is very few data available concerning the informal employment that is also visible in the graph. The data for rural informal employment are unavailable in the most of the selected countries. On the example of Costa Rica is obvious that both rural and urban informal employment prove the same rates; for the other countries the rates could be either similar or different – it can depend on many factors influencing the labor market within the certain country.

Graph 3: Informal economy employment as a percentage of employment; Small or micro-enterprises (selected countries)



SOURCE: KILM 5th Edition, the International Labor Organization, Table 7c

Although there was recorded certain positive change for labor market main indicators, still too many people in urban areas stays without available employment opportunities and decent

employment at all. The consequences of such state inability to provide appropriate policies and opportunities are visible in the whole society – such as high criminality rates, families breakdowns, weak state authority and in many cases also migration to developed countries.

4 ANALYSIS OF OBSTACLES FOR URBAN POOR ENTERING THE FORMAL LABOR MARKET

The aim of this chapter is to analyze obstacles which prevent urban poor from an active participation on the formal labor market. The urban poor are marginalized due to many different factors which they, in general, are not able to influence or to change by their own will or decision. In order to survive in the urban environment, they are in need of financial capital to satisfy their every day necessities; in order to generate income they require ideally a well paid, secure, long-term and well accessible job. Anyway, an ideal job gaining represents for the urban poor a complex of obstacles and difficulties that terminate (usually) at the end in a vicious circle of urban poverty. However, some of the mentioned obstacles could be overcome and solved by municipalities (providing of transport, support trainings), and, of course, by state policy (improving the access and quality of education, implementing of an effective pro-poor macroeconomic policy).

In this chapter I discuss gradually the obstacles for urban poor entering the formal labor market on the supply side, following by obstacles on the demand side. The obstacles analysis is based on my literature survey – therefore, are mainly grounded on the articles and researches of different authors; some of them are deduced in order to set a complex of the most important obstacles influencing the urban poor income generation activities.

4.1 Obstacles for urban poor entering the formal labor market (on the supply side)

The urban poor, perceived as a supply side at the labor market, should offer their ability to work, including human and social capital. But in fact, the urban poor mainly possess neither a sufficient level of human capital nor right level of social capital; therefore they become unsuitable candidates for many of the employment opportunities. The obstacles I consider in this chapter are low level of education and bad access to quality education, lack of information and labor market knowledge, absent initial capital, social capital and criminality.

4.1.1 Low level of education and bad access to quality education

The cardinal asset owned by poor is said to be human capital which they can convert through their labor use at the labor market into the financial capital needed for their necessities satisfaction. Therefore human capital can be described as skills, abilities and knowledge which are asserted in order to be monetized at the labor market. The level of skills and

knowledge is expressed by educational level and by school enrolment – that definitely can be covered as the indicators of human capital. The ILO defines human capital as “education and training expenditure considered as a profitable investment for the future” (ILO, 2007). Level of education and number of the school years enrolled determine the income amount as well as job quality. Fay (2005) even adds that “skills may be an important determinant of employment performance, with employment rates increasing for higher skill levels.” But, this fact does not necessarily stand for some cases, for example, “in Brazil (similar trends are in Argentina, Mexico as well) the employment rate among people in the bottom income quintile decreases as skills rise (54% for people with low-skills, 49% for people with medium-level skills and 47% for people with high-level),” (Fay, 2005).

Current state of urban poor education level is described by Fay (2005) as following: “About 70% of poor adults are low-skilled, as opposed to 50% for the urban workforce as a whole.” Moreover, the problem escalates not only due to lower enrollment among poor children in formal education, if not due to lower quality of the education and training the urban poor can access. More generally, “by international standards the quality of education is low in Latin America and Caribbean” (Fay, 2005).

Also, one of the strategies of the urban poor households is sending their older children (those fifteen and older if jurisdiction allows) to incorporate them into the income generation activities and so increase the number of paid workers within households. The urban poor perceive such strategy as a more effective in the short run. Gonzales de la Rocha (2006) submits that “although their early entrance into the labor market means halt to their education, their economic contributions to the household are highly valued by parents and siblings.”

4.1.2 Lacking social capital and criminality

Social life represents a significant element of everyday life of not only the urban poor ones, and can be perceived as social bounds within family, fellows, and workers or within communities, even though city parts. Owing to the mutual interdependence, everyday cooperation, coexistence, services and goods exchange, people create relationships, and also a potential for the next cooperation; such an asset described refers to the *social capital*. In general, asset gaining can be seen simply from the individualistic point of view as an effective strategy for one’s own profits and benefits acquiring. In Latin America (and may be in others developing regions) is the perception of asset broader; as Torche and Spilerman (2006) state, “the notion of assets in the Latin American literature references a broader portfolio of items than is considered in the developed world; while in industrialized countries the term asset is

restricted to material items that have market value, students of Latin America tend to associate assets with productive resources and count among them educational attainment and social capital.” Within the poor universally is therefore the social capital accepted as a useful, effective and low-cost tool for assets generating; anyway, it depends on social environment (rural or urban) and social diversity as well. “Relationships in the urban context may be more impersonal - lifestyles, kinship and neighborhood support networks are different from those in rural areas, though links with a rural extended family can remain an important part of an urban household’s survival strategy” (Wratten, 1995).

Anyway, “in today’s Latin American countries, a limited social safety net to protect families during economic distress maintain“ (Torche and Spilerman, 2006); and still in many of the poorest urban neighborhoods the social capital rates¹⁰ stay at low levels. Lower social capital values and less stable social networks (in relation to the asset gaining) mean decreased ability of social exchange and lack of economic opportunities.

In Latin America in general, the social networking and social capital formation are comprehended as a useful and important strategy for poverty and life struggles coping. As Wratten (1995) submits, “the urban social movements based on collective interest are important means by which the poor lobby for land rights and infrastructure; and also community-based organizations provide a means of saving and arranging income-earning opportunities.” Sometimes it means that networks personify the only mean available while dealing with a certain problem. “The poor are often forced by necessity to use their social resources, because of hostility, indifference or lack of accessibility on the part of formal institutions (both public and private) and because there are so few safe and stable employment opportunities available to them to sustain a viable employment opportunities” (Fay, 2005).

Such social life based on quality of reciprocal links between friends, fellows or work mates therefore disengages individuals from familial relationships and obligations. Together with higher exposure to the organized crime, greater diversity and higher population density, is social risk in pathological behavior much higher than in rural areas. Under above mentioned circumstances the families and households become fragmentized so that insecurity and distrust are formed easily; moreover, in the most of the cases is family disintegration accompanied by the increased consumption of alcohol and drugs, by diffusion of robberies, assaults and even homicides. “The LAC region has the highest level of violence worldwide; Colombia, El Salvador and Guatemala have the highest levels of homicide” (Fay, 2005).

¹⁰ Social capital rate refer to a level of relationships and connections between individuals mutually as well as between and within different social networks.

Generally, poverty is to be the primary cause of violence; anyway, in Latin America the important causes are also exclusion and inequality. At the same time, “in situations of widespread and severe inequality, the daily living conditions of the urban poor can increase the potential for conflict, crime and violence” (Fay, 2005). Negative impact of criminality on the economic activity of urban poor and their labor participation is therefore apparent – increased expenditures on protection and violence prevention, decreased investment (especially in tourism) and principally, deterioration of human capital and social capital of individuals. “Estimates for six Latin American countries show that the cost of violence ranges from 5% of gross domestic product (GDP) in Peru to 25% of GDP in Colombia” (Fay, 2005).

4.1.3 Lack of information and insufficient knowledge of the labor market

After coming to the city, rural immigrants firstly must get accustomed to very different life style and society systematization. The monetized urban society makes the rural immigrants disadvantaged due to (for them) unknown environment. To gain a good job, the urban poor usually make advantage of various networks, relations and sources of information, which the rural immigrants are hardly lacking. Also the insufficient knowledge of the monetized society, its behavior and approach to economic activities can be for immigrants incomprehensive. Therefore, the lack of information and unknowingness of the monetized society, labor market function and even unawareness of the possible information sources marginalize the immigrants seriously; and so decrease their employability and make them less able to become employed.

4.1.4 Absent initial capital

In some cases of work positions, when employer instructs, a certain kind of initial investment can be required (for example, for purchasing of compulsory equipment, starting course or training, etc.). The urban poor probably do not own some extra amount of capital when searching for employment and not everybody can have the possibility of loaning (within their family, friends, fellows). The probability of savings in the most of the urban poor households can be low, if not even lacking. Such work positions requiring an initial investment can become thus unachievable.

4.2 Obstacles for urban poor entering the labor market on the demand side

The demand side of the labor market (employers, municipalities, state) does not provide nor implement right policies and remedies that should support the urban poor in entering the formal labor market. There exist obstacles which potential workers searching for employment

cannot overcome on their own; the policy implementation is needed (transport and services connection, formal market accessibility). Such obstacles are discrimination (based on gender, on being poor and on space and transport), wrong function of formal labor market (including informal labor market forms like self-employment, informal salaried and contract workers) and changes in the sectoral distribution of jobs.

4.2.1 Discrimination

4.2.1.1 Discrimination based on gender

Being poor woman sets a certain concept of vulnerability, and therefore predisposition to the discrimination. According to Wratten's research (1995) on urban poverty "women typically have lower levels of education (a rational response by poor families wishing to maximize earnings is to send sons rather than daughters to school), long working hours (including domestic work), responsibility for child care as well as productive and community management roles, poorer diets and more restricted physical mobility than men." Right the women's role of mothers and household keepers constitutes for employers in the formal sector an element for discrimination; employers without any reference to the women's income necessity (especially to heads of households and bread winners) often do not provide them the employment opportunity. The case study from Mexico also describes "the root causes of the low female participation rate as it is some degree of cultural bias, discouraging women's participation in the labor force, and further obstructing progress needed on this front" (Saavedra, 2002).

Although, the women's participation has increased significantly over time, "there is some evidence that the increase in female participation may have occurred in low-quality jobs" (Fay, 2005). The informal labor market activities and self-employment (street vendors, petty shops) permit working time flexibility and so enable women to reconcile their household responsibilities and income generation activities. On the contrary, the formal employment neither provides them such possibility nor there exists availability of childcare.

4.2.1.2 Stigma of being poor

Access to a good employment (well-paid, long-term, flexible working hours and secure) is also likely induced by *the stigma of being poor* and coming from poorer suburbs, high criminality and marginality areas. Pearlman (2007) even discovered during her researches in Brazil, that "living in a *favela*' represents a greater obstacle to employment and source of discrimination than race, gender, place of birth, or overall appearance; this fact demonstrates

on examples of job interviews - the interview typically ends when the applicant's address is identified as a favela." The poor inhabitants of slums in general are perceived as those who are distinct; they differ by levels of quality in education, social and cultural environments versus the rest of neighborhoods. Concerning the urban poor difference, Oscar Lewis comes up with "*culture of poverty*" thesis, in which "the poor are assumed to be marginal to urban development due to innate and culturally determined personal characteristics and resulting deviant behavior;" anyway, he completes his study with more alternative "*marginalization*" thesis, which ascribes "a more positive role to the activities of poor urban communities and emphasizes the structural barriers which exclude their participation in formal economic, political and social institutions" (Wratten, 1995).

4.2.1.3 Discrimination of Native Americans (Indians) and black inhabitants

In some cases can be discriminated certain social groups because of ethic, origin or race. Within LAC region live many societies of Indians (original inhabitants) and black people (formerly coming from Africa) who form in the most of the countries the minority population. The racial and different origin groups can be considered by the majority population as culturally, originally and mentally different; the prejudices formed in the society can play a crucial role also in labor market. Based on prejudices and fear (xenophobia), many employers can so discriminate and decrease the employment opportunities for disadvantaged population groups.

4.2.1.4 Spatial discrimination and transport

Urban poor living in the cities and megacities have a very significant need to find not only suitable employment, but also accessible one. "Access to the city and infrastructure services are the most pressing needs for slums inhabitants" (Saavedra, 2002). Many urban poor live in a considerable distance from the city centre in poor suburbs where the public transport connection is insufficient; this fact leads to serious consequences – the *segregation* of the poor and decreasing possibility to access a good job. Such form of discrimination is introduced as a *spatial discrimination*; urban poor living in the poorer neighborhoods are in fact separated by transport net connection, therefore inability of mobility makes the urban poor inappropriate for many activities accomplishing (including employment participation). Concerning the segregation, Fay (2005) have found that "most of the segregation processes between poor and rich in Latin America took place over the course of many decades and mostly were related to the development of motorized transport and suburbanization." Moreover, referring to the employment access Fay (2005) documents "the influence of

limited mobility on the *peripheralization* of the poor high unemployment and low incomes in marginal areas of Sao Paulo.” The peripheralization is formed as a consequence of political strategy when urban poor are moved from the lands and properties closed to the city centers to the edges and suburbs, where are mainly just transport junctions, large factories (where they hardly can work because of low skills). The urban poor therefore are forced to leave their small businesses (petty shops, small services) which they could carry out owing to high population density (more possible customers). On the periphery they lose the advantages of the city centers.

4.2.2 Wrong function of the formal labor market

The formal sector in the developed countries is perceived as the only employment opportunity, not only because of the state law statute, but rather because of benefits, advantages and assurance resulting from the state policy concentrated on right macroeconomic function within the certain state. Nevertheless, in the most of the developing countries people cannot rely on such certainties (pensions, social insurance and other benefits) because the state does not meet its basic functions and is not able to provide to its own inhabitants quality formal employment opportunities. Therefore, inhabitants of such state search for any alternatives which could provide them more of the appropriateness than the wrongly working certainties of the non-quality formal sector.

Despite, the informality is claimed to be more prevalent in the rural areas, there has been noted an increase in the urban areas within the LAC region; as an evidence Fay (2005) sets argument that “the expansion of informal employment has been linked to the slow-down of the economy at the end of the 1990s and the rise in nonwage costs.” However, there exists quite a misgiving perception of informal sector within developed countries (inhuman working conditions, no certainty and state losses of avoiding tax payments), Maloney (1999 and 2003) finds the informal labor market as a suitable alternative that is utilized by the urban poor. There are several failures of the formal labor market in the developing countries that can explain workers’ behavior. Within the informal sector there occur three types of employment (self-employment, informal salaried workers and contract workers) that, either directly or indirectly, react to the certain formal market failures or obstacles.

4.2.2.1 Self-employment

Maloney (1999) during his research of the urban labor market in Mexico found that “self-employment constitutes the largest source of employment (25%) after formal salaried employment (50%).” In the process, it occurs as a reaction to the formal market inflexibility

(possibility of being independent and one's own boss) and as a vision of higher income, or seeing the possibility of career progression. However, to become self-employed acquires former experiences, sufficient level of human and financial capital, the worker do give up secure benefits of the formal sector due to several reasons. First, developing country micro-entrepreneurs may not be so different from those in the industrialized world – they also “take on responsibility for medical insurance or saving for retirement that was previously covered by their employers” (Maloney, 2003). Moreover, in some of the developing countries the formal employer does not meet his duties (as see Seasonal unemployment) and so makes the benefits worthless. Second, “in a market with flexible wages, the cost of employer-provided benefits is partially passed down to workers as the form of lower wages” (Maloney, 2003). This comes arise when the worker does not appraise the benefits as much as the decreased wage all in all – for example when the health and social insurance can be inefficient, or already one of the family members receives the similar benefits. Third, “the very legislation that is thought to induce rigidities into the labor market in fact stimulates such turnover and encourages workers to leave salaried employment” (Maloney, 2003).

As Fay (2005) summarizes concerning the self-employment – “having accumulated skills, capital, contacts by working in the formal sector, by wanting to be one's own boss or by facing obstacles to career progression in the formal sector due to low levels of formal education.”

4.2.2.2 *Informal salaried workers*

The mainstream view of such informal employment type is rather negatively expressed; the informal salaried workers represent those who are dependent and yet without benefits and certainty. Nevertheless, more objectively such employment is apprehended as “a sector that appears to serve primarily as the principal port of entry for young, poorly educated workers moving into paid employment” (Maloney, 1999). It means that informal salaried work plays a very important role in the life of especially students (either yet studying or already those with completed school) to get experience and might skills to move into another employment (for example into the formal salaried one). Moreover, in many countries “small informal enterprises train more apprentices and workers than the formal education system and mostly government job-training schemes together” (Maloney, 1999). The negative element of the informal salaried employment constitutes low quality of the job, low security and mainly no benefits (such health and social insurance) and inappropriate working conditions (anyway, this depends more on the employer's attitude).

4.2.2.3 Contracted work

In general, contract work constitutes a very specific type of employment, and within the informal sector does not maintain the very common phenomenon; “contract work accounts for a relatively small share (20%) of informal production” (Maloney, 1999). However, in some cases serves as a useful strategy for urban poor household, especially owing to possible flexibility formed through contract between worker and employer. Those, who look for the contract employment, are according to Maloney (1999) “workers with less education; or low-skilled laborers who prefer to be more independent or who might do better on commission than in a factory as ordinary salaried workers, would voluntarily move to contract work.” Actually, the contracted work is formed when suits both the employer (reducing the company costs) and worker (gaining benefits needed).

4.2.3 Changes in the sectoral distribution of jobs

During the 1990s the LAC region saw a reduction in the share of manufacturing jobs, an increase in the share of service jobs (both high-skill and low-skill) and a decrease in public sector employment “(in Peru manufacturing declined from 13% of total employment in 1994 to 9% in 2000; in Argentina unskilled services expanded from 16% of total employment in 1992 to 23% in 1997, while skilled employment declined (from 22% to 16%) and manufacturing stagnated” (Fay, 2005). Mentioned changes in the sectoral distribution of jobs on the labor market therefore cause very significant movements of labor force within particular sectors – when certain group of workers lose jobs (both high-skill and low-skill) and subsequently look for other jobs in a different sector than they were used to work in. In such way arisen situations constitute serious difficulties for the urban poor to move easily – from the low tech production to high-tech ones (workers, especially the low-skilled ones, are not able to adopt themselves), from the manufacturing to the services sector (workers need to adopt and gain new experience and skills). But, in some cases there occur changes as an increase of low-skill job (together with a decrease of high-skill jobs) that has grave consequences for the poor people; high-skill workers fired from their positions look for a job (high-skill) but find just the low-skill positions which they take (as their only possibility) and the lower-skilled worker, generally also the poorer ones, failed to maintain their low-skilled positions as the employers prefer the high-skilled workers.

The changes in the sectoral distribution of jobs is typically a urban feature; for example, “the manufacturing share of employment in the six main Brazilian metropolitan areas (Porto

Alegre, Sao Paulo, Rio de Janeiro, Belo Horizonte, Salvador and Recife) fell more than 16% between 1991 and 2002, for the total employment loss of 600,000 jobs” (Fay, 2005).

5 URBAN POOR AND LABOR MARKET ANALYSIS – THE CASE STUDY OF THE CARMEN COMMUNITY, COSTA RICA

This chapter contains data from a research that I implemented during my internship at the Earth University in Costa Rica. The research was primarily aimed at the state of households and social capital within the community; however, I gained very contributive information concerning the situation of local economy and income generation activities that I use as a case study for this thesis.

5.1 Methodology

The research was held in the October and November 2008 at the academic environment of the Costa Rican Earth University, under supervisor and head of research idea Pedro Bidegaray, PhD. The main aim of the research was to collect qualitative data on state of families and social capital within three communities (Carmen, Santa Emilia and Iroquois squatter communities) which are located in the close surrounding of the Earth University.

The gained data and facts were collected by the mean of observation and interviews. The observation period and interview preparation took three weeks, followed by interviews period that took five weeks. During this period were asked sixty four persons in total (in the three communities). Gained data was processed in statistics software program called InfoStat, analyzed and concluded in Research Report. Data and statistics information are gained through mentioned research methodology and can be misguided in certain way because of low percentage of interviewed persons. Anyway, in the research were put great efforts in order to bring the most objective data as possible.

5.2 General description of the Carmen community

In this chapter are concluded data from one community only, from the Carmen community. It is located in very close surrounding of the Earth University – it is peri-urban part of a Pocora town, Guácimo, province Limón, Costa Rica. This area is typical example of humid tropical climate and its part is influenced strongly by Caribbean cost's climate conditions which set the direction of agriculture production and economic activity (cultivation of tropic fruit and exotic plants for export).

5.2.1 Demographic data of the research

In this community during the research were interviewed twenty two persons – the majority were women, two men were asked only. There was no extra selection of that to interview; the

selection was rather very random. The average age of asked is quite high – forty two years – caused by asking those who stayed at home, mainly women between thirty five and fifty five years; when the youngest had just twenty and the eldest one had sixty six years. Concerning the nationality of interviewed people, 68% claimed to have Costa Rican nationality, the rest 32% of inhabitants come from Nicaragua.

5.2.2 Economic situation of the households

5.2.2.1 Financial capital

Referring to financial capital of the families the research was concentrated mainly on salaries and savings as elements of micro economy of each family. In average, one family obtains 1,59 salary (in a family live in average 4,4 family members); which shows quite discussible situation of the employment level. Actually, in 50% of families they gain just one salary, in 40% of families are employed two persons (it means mainly man – as a head of the family, and sons or his wife as the second person). Just 9% of families get three salaries, as mentioned before – man and his sons, sometimes his wife. Anyway, the living standard does not depend so much on the number of salaries as on reasonable handling of the family finances. In some families the equal income sharing is not perfect, when some men as provider does not economizes enough for whole family; or just simply the whole family is not able to budget for the month. Emerging from mentioned depends very on the ability of family how to lay out in order to go on well with income.

Savings in most of the families is claimed to be unrealistic economic activity, as a lot of them go on and consume all the income gained. Just 32% mentioned they are saving some money (no matter whether is not by way of some institution because just very few people have bank account). Usually the responsible person for savings is women or the couple together; moreover, the large amount of the savings is not regular.

5.2.2.2 Employment situation

From those who are employed not always everybody has permanent employment, 13% of employments are claimed to be impermanent, temporary. In many cases, employer makes contract with employees just for three months, after this period they are suspended for one or two months and again contracted – because the state law sets payment of social and health security after the crossing the work period of three months. People claim this law affected very deeply families' economy and means very strong weapon in the hands of employers who see just own economic benefits.

Concerning way of employment, the most often formal employment is to be in factories of fruit (mainly pineapple) processing, working on plantations of exotic plants, bananas, palmetto and pineapple; this holds true both for men and women. Very few people from community work in services (shops, transport, social services). From interviewed persons 45% had some informal employment, so called employment out of household or small proper business; and when this percentage refers just to women' activity. While man is usually the one who has stable employment, some women make their own income, concentrating their activity on street selling (homemade food, clothes, perfumes, cosmetics selling), dressmaking, nails varnishing and hair cutting, baby sitting. Actually, the matter is kind of small capital exchange between women, when one sells goods and services which will buy probably just other woman from community; so there exist mutual support even though they have no idea that is right like this.

5.3 The main obstacles for entering formal employment

5.3.1 Lack of good quality education and absent educational possibilities

The level of education is generally low concerning the number of years enrolled in the school. From the asked persons 55% have finished the primary education only and the majority regrets not to have either possibility or will to continue at secondary school. Despite the primary education is paid by state, the quality is to be rather lower. In the case of Carmen's primary school, parents complained that their children are very often out of classes; either the teacher is not present or has more classes at once. The 9% have not finished primary school, which means in the most cases just one or two years of school enrollment. The same percentage of people has not attended any education level at all; one of the reason can be insufficient educational system in the past, because the majority of people with no school enrollment form elder people who mention that in the past they were sent often by their parents to work, mainly on the plantations and fields instead of having classes. Others say, they were growing up in very remote area where did not exist possibility to attend any classes. Looking at 9% of those who have not finished secondary education I have to mention that nowadays the number of those who come back to pass their "bachillerato"¹¹ is increasing; there exist "night bachillerato courses" and are attended mostly by women in age range 20-40 years. They think that in those days to find good job is without finished secondary education almost impossible, and by this way they are trying to show to their children how important is

¹¹ Bachillerato is the state final exam at secondary school (in Great Britain know as A levels exam).

higher education. Secondary education in surroundings of Pocora (town does not represent many choices), there is one high school which continues with general education and is finished by bachillerato. But actually, there is no specialized higher school, neither technical college nor training centre where could young people under eighteen learn profession. This situation is related to the high criminality rate – youth neither wants to study nor has no possibility to work (as the state law forbids to persons under eighteen).

The 13% represent those who have finished secondary education (finished by bachillerato), when finished secondary education is the highest education of asked persons in community – the university education is almost not presented; anyway, there were mentioned by some parents they have sent their children to study, for example in one family the oldest son studies medicine in Cuba.

5.3.2 Lacking child care

In the most of the cases the heads of families are responsible for child care on their own. Moreover, the lacking child care is related to the women low participation at the labor market as mentioned at the chapter analyzing the obstacles. For employers the workers with commitments influencing labor process are not desirable when the workers cannot find the way how to release themselves from obligations. For women in the community, there exists neither children centre nor extra classes for children after school where could children spend their free time while his parents would dedicate to income generation activities. Especially, the women participation in the formal employment is very needed; when they are in need of capital, they usually start informal activity that can be easily combined with household work and child care.

5.3.3 Social exclusion

A serious issue there in community is represented by the socio-economic situation. Despite 43% believe that people in community are the same, that there are no differences among the community population - 57% claim there are visible differences among community inhabitants that cause in some cases social exclusion. The discrimination by being poor, Native American or black sometimes plays important role. The economic differences mention 69% of asked, so it is quite visible that some families are excluded from the society because of having lower economic standard. Other 16% people see the differences as moral (values) and 15% as social (way of life) – pointing at families and persons dealing with drugs and alcohol problems.

5.3.4 Unsuitably set institutional environment

The work institutional environment is set by the government rather pro employers than pro workers and employees. The possible reason can be given by pleasant investment formation in order to attract the foreign investments and so possibly secure the country economic growth and employment creation; or, the social and health insurance costs are for the employers too high. Anyway, in many cases such strategies are perceived by the community as to be set against workers. Especially, the security and social insurance system is claimed by the community to be totally in the hands of employers or the state who in the most of the cases abuse their super-ordinate positions; the state so creates unsuitable institutional environment concerning the work conditions and workers security.

6 DISCUSSION OF OBSTACLES OVERCOMING AND LABOR MARKET

INTEGRATION – SUGGESTED SOLUTIONS FOR THE CARMEN COMMUNITY

The aim of this chapter is to react at the obstacles mentioned in the previous chapter on the case study from Costa Rica, and to suggest possible solutions of the mentioned obstacles.

The suggestions of solutions are based on the already working projects and programs from the different Latin American countries that were selected by the mean of different authors' literature survey.

The solutions were chosen according to signs of long-term action, complexity, effectiveness and sustainability. Therefore, the aim is to apply the projects and programs (the case studies) at the obstacles for the urban poor from the Carmen community.

I aim my discussion at three main parts which are according to my opinion suitable for the obstacles overcoming in the Carmen community.

First of them is to increase the level of urban poor's human capital; the means which should be used for effective and properly aimed managing of human capital increasing is very discussible. The important features of such upgrading are complexity, long-term approach and evaluation of already working programs (to see that program not only give education, but give education with a good quality).

I discuss in this chapter not only education provision, but also capacity building programs and training for already working urban poor to increase their human capital and so improve their market price as a labor force.

Other point represents increasing of women participation at the labor market. Unfortunately, child care is not developed to cover women's need, and therefore employers let other workers without any obligation go first. The situation can be improved by creation of better conditions for women as workers, for example by child care provision. Such implementations have positive impacts also for children (their health, development, school attendance, free time activities) and for household in general (from the additional income would be provided higher comfort for all members).

Last point is to be the most complex because analyzes program that is to develop economic environment together with employment creation. The important features constitute the governmental investment (not only the financial one) and broader participation of stakeholders and the most needed ones (the community).

6.1 Increasing the level of human capital

As low skills remain for many Carmen community's inhabitants the main obstacle, the provision of education and training opportunities is crucial in order to integrate them into the formal labor market.

According to my opinion, the capacity building, skills trainings and educational courses could be supported both by the state and by grassroots' initiative (from the community itself). But, for both of the managing processes the systematic and compact approach is required in order to include everybody needed, to target the certain age or social group. The disadvantage could be in financing of such complex approaches (especially for some of the developing states in case of state's program, or for some NGOs) and program exploitation from the side of the target groups.

The capacity building and training could be also simply provided by private sector (both formal and informal), when employer would have interest in workers' skills improvement and organize specially designed courses or programs. The disadvantage of such approach is formation of just little target group and is not compact.

I have chosen to demonstrate such a systematic approach for capacity building and educational level increase on the case of Mexican governmental program called Oportunidades (state's program) and complex program of Colombian church non-governmental organization Corporación El Minuto de Dios.

6.1.1 Mexico's Oportunidades Program (The World Bank, 2003)¹²

Oportunidades constitutes an anti-poverty program of Mexican government that is focused on helping the poor families (both in rural and urban communities) to invest in human capital and so provide long-term improvement for the future of their children. The program is grounded on cash transfer to households (designated to regular school attendance and health clinic visits). The program was formed as a reaction at the 'poor families' behavior – they cannot afford to cover the expenditures for school attending or for the opportunity costs of sending children to school (the possible income of older children is valued more highly than the long-term investment in their higher education). Owing to Oportunidades the families who have children under 22 years of age who are enrolled in school (between the third grade of primary and the third grade of high school) and those who are willing to participate, they gain

¹² The Oportunidades program neither came from an initiative nor was in coordination of the World Bank; but the program was discussed on the Shanghai Conference session of the World Bank, where effective and successful case studies of the poverty alleviation were spoken about. The information about the program therefore comes from the Shanghai Conference papers.

educational grants. Today, the number of families benefiting from Oportunidades is over 4 million (with over 1.5 million urban families, still increasing). Actually, government spends 46.5% of Mexico's federal annual anti-poverty budget to this program.

The health care component is assigned for all family members to facilitate access to preventive health care which is provided by government public health institutions. The nutrition components constitutes a monetary transfer (about \$15.50 monthly) to improve nutritional supplements for children (between the ages of four months and two years, malnourished children aged two to four and pregnant and lactating women).

Family targeting is based on the analysis of the socio-economic information at the central government level. The whole program is supported by different ministries of the Mexican Government and also administrated by an external organization – *International Food Policy Research Institute (IFPRI)* – which is in charge of independent evaluation.

The results of this evaluation are positive during the years (since 1997). In the case of education, the largest impacts were reported on children who enter secondary school; where impacts represent a percentage increase of enrollment over 20% for girls and 10% for boys; significant health and nutrition effects were also reported (Oportunidades children 1-5 years have a 12% lower incidence of illness than non-Oportunidades children). The last mentioned evaluation from the year 2000 was aimed at urban areas (to which the program has been widened).

6.1.1.1 Oportunidades program and the Carmen Community

In the case of the Costa Rican community, the primary education is provided by government; anyway, the similar program could be implemented for the preschool and secondary education. The preschool education grants would be definitely used by the community – as the school fees payment is not accessible for the most of the families. Moreover, the accompanying health care and nutrition grants are very useful for the families with small children. Other positive point represents the possibility of the child care so that both mothers and fathers can devote to the income generation activities.

The secondary education grants would solve the problem of the lacking opportunities – the one possibility of the secondary education provided by state is general high school (students rather prefer to work than to continue in general education). If the grants were accessible for the specialist high schools (they are private in general and students don't have capital to cover school fees), the students would use the opportunity and would like to continue in secondary

education. Again, the accompanying programs (health care) would help them slightly to cover some students' expenditures.

Despite the program is initiated by government the community participation is needed. The program serves to those who show the will to participate, so the target group would be selected easily on its own. Important point would be to provide information to all inhabitants properly, in order to avoid social exclusion and program misuse.

6.1.2 Corporación El Minuto de Dios (El Minuto de Dios Corporación, 2009)

El Minuto de Dios is a non-governmental, non-profit and catholic organization based in Colombia, which was founded in 1955 by Father Rafael García-Herreros, and has four main areas of interest: housing, attention to vulnerable communities, financial support, job training. El Minuto de Dios School first was opened in 1958 in the same neighborhood where he began to construct houses for the poor. Later, he worried for the lack of employment of many families that requested help; he was determined to create employment programs and community development projects. Today, many schools and the Uniminuto University are established, many tenures for poor are constructed; moreover, El Minuto de Dios promotes the creation of health centers, the construction of a the Museum of Contemporary Art, a theater for cinema and dramatic arts, a clothes manufacturing plant that creates 25,000 jobs for single mothers, the Charismatic Center from where the radio and television programs spreading the message of God are broadcasted.

This organization progressively founded a systematic approach to education and capacity building of marginalized urban poor in Bogotá (later also in other cities). They created basic to intermediate education institutions (five nurseries and kindergartens, eleven primary and secondary schools), also higher schools (technical, undergraduate and postgraduate programs – Uniminuto University) and least, non-formal education (job training and further education). The job training and further education includes *program of Manufacturing* (manufacturing factory that integrates people aged between 18 and 25, also single mothers and vulnerable communities), *program Youth in Action* (supported by the Presidency of the Republic that qualifies in semi-qualified occupations youths between 18 and 25 years; this project includes a diagnosis of labor demands and is carried out in a stage of three months and a labor practice directed in legally constituted companies). Other very important component of this organization is program called *Management activity for low-income women* that is to generate work opportunities at home for f women who are the head family and perceive low income;

and to strengthen the capacity of the beneficiaries marketing. The organization also created *Entrepreneurship center* fosters the development of an entrepreneurial culture from a human, technical and managerial perspective, in order to create businesses as well as entrepreneurs who are socially conscious.

The poor can basically join different courses (arts and crafts, IT, cosmetics, fast food preparation, baking, kitchen, graphics and design, gardeners and many others), that offer non-formal educational centers in different cities in Colombia (Cartagena, Medellín, Riohacha, Montería, Bogotá-Ciudad Bolívar, Sincelejo).

6.1.2.1 El Minuto de Dios and the Carmen community

The Colombian example of the non-governmental initiative could serve as a model for the Carmen community. The complex education system (non-governmental) includes education for children as well as for youth and adults. The Carmen community would welcome the non-governmental education for children because of low quality of the state schools; moreover, such initiative definitely comes with extra free time activities for children that would help the community very much (would allow to parents to go to work, would be better for general security and youth delinquency).

The training course, entrepreneurship centre and the youth in action programs provides complete services in employability increase and employability provision. Those activities the Carmen community needs the most, as the employment opportunities are lacking (mainly work on plantations is accessible only). Furthermore, those activities can participate whoever wants to (self-targeting), therefore individuals and families can become very important players in poverty alleviation themselves; and social exclusion can be covered as well – the programs also tries to integrate different social groups and fight against discrimination. Moreover, sometimes the non-governmental and church based activities arouse within communities more trust and will to participate than some governmental initiatives (as many people do not trust the government anymore).

The negative point of such program could be strong leading person who after creation and foundation of the program would leave and so the program consequently would not continue, would not be sustainable enough and “own” by the community. Also, the financing could represent for the community very serious issue as the non-governmental and church organization face to irregular income.

6.2 Supporting women in labor market participation

The women main problem in the community is represented by an inability to combine household unpaid work with paid job because of their mothers' role. Some women therefore look for various alternatives that allow them to harmonize their household work with paid work; one of such alternative is to be the informal labor market. In order to arrange female's participation at the labor market (especially the formal one), the pro-poor child care system in the community should be formed.

The advantage of the bottom-up (or the community) initiative dealing with child care constitutes low expensiveness and simple way of targeting the needed families. State interventions are on the other side complex (cover broader localities) but not always are able to offer services for the poorest ones of the community. As an example of such child care organized by communities, but is financed and supported also by the governmental environment, is represented by the project *Madre Comunitaria*.

6.2.1 Hogares de bienestar – the project Madre comunitaria in Colombia (Arteaga)

The Project Hogares de Bienestar (translated as Well being of Households) was formed in 1987 by Instituto Colombiano de Bienestar Familiar (ICBF; Colombian Institute for Wellbeing of Families) as a part of new program of informal education for children under 7 years of age to support their education and help their parents who live in the poorer urban areas and generate lower incomes. The project idea is very simple – children are sent to the neighbor house where one chosen mother in her own house looks after all children of her neighbors. These women must accomplish conditions set by ICBF and are pledged to fulfill all necessities in order to manage health children development. Moreover, the madres comunitarias are remunerated covered by social security and can dedicate also to their own household. The project is managed so that the finance supports the children right nutrition, health protection and development. Expressed by own words of ICBF “the project Hogares de Bienestar represent a complex action of the state and community that lines up with psychosocial, moral and physical development of children under the age of 7 who come from the poorest areas” (Arteaga). Moreover, the project has formed Asociacion de Padres (Parents' Association) and therefore has empowered the community widely, not only through the program Madre Comunitaria. Parents can dedicate to income generation activities (both fathers and mothers) and can become an active part of the community. The project in general have very important impact on urban poverty alleviation; the most often customers are single

mothers – bread winners who welcome such project the most, as they can devote to income generation activities.

6.2.1.1 Madre comunitaria program and the Carmen Community

In the Carmen community quite similar way of the child care is already working, but is more informal and insecure as the program that would be supported by the government. The important would be the “formalization” of the already working program, so that the position of the madre comunitaria would be paid and covered by the social security. The program would be also very important owing to the nutrition support and the whole child care system would be covered by kind of state security - the official employment would be initiated. Also, the excluded families would use such program and so integrate to the community (for example as they would need to use such facility for child care).

The role of Parents association allows to the heads of household (women and men) to solve problems concerning child care and so facilitate the participation of both women and men.

As disadvantage could be mentioned the selection of madre comunitaria; the person should be trustworthy for all social groups within the community and the competition should be guaranteed by state, in order to provide employment opportunities and chance to participate.

6.3 The complex programs aimed at economic and employment development

This kind of solutions should be more complex and certainly supposed by governments to its own inhabitants who should also participate on the implementation. The target of such interventions should be definitely broader to cover all fields (infrastructure, administration, capacity building, loans and small grants managing) when many various communities are joined and together form in their localities complex economic conditions improvement. The Carmen community forms just one part of Pocora town and when all the parts would join the program, the entire area could become better place with better living conditions.

As a complex solution for economic development and employment creation I introduce World Bank’s program called Local Economic Development that was implemented in the neighbor country of Nicaragua.

6.3.1 Local Development Program (PRODEL) in Nicaragua (Stein, 2001)

Local economic program is a program designed by the World Bank which is based on the cooperation of local government, private and non-profit sectors and local communities to support local economy conditions improvement. This program includes various approaches in the local economy development: “ensuring that the local investment climate is functional for

local businesses; supporting small and medium sized enterprises; encouraging the formation of new enterprises; attracting external investment (nationally and internationally); investing in physical (hard) infrastructure; investing in soft infrastructure (educational and workforce development, institutional support systems and regulatory issues); supporting the growth of particular clusters of businesses; targeting particular parts of the city for regeneration or growth (areas based initiatives); supporting informal and newly emerging businesses; targeting certain disadvantaged groups” (The World Bank, 2009) Despite the program can seem having rigid rules and approaches in the implementation process, the realization differ very according to country, communities, all stakeholders and also due to different priorities defined by participants. As an example I use Local Economic Development program implemented in Nicaragua.

Local Economic Development Program (PRODEL) in Nicaragua is reflected as a community participation program that provides small grants for infrastructure and community works projects, loans for housing improvement and micro-enterprises, targeted at low-income urban groups within eight cities in Nicaragua (during 1994-1998). PRODEL’s model of community participation made quite significant differences and left positive impacts in terms of improving the living conditions of the poor families, increasing efficiency in the management of public resources and generating positive attitudes among the beneficiaries. The external funds were provided by the Swedish International Development Cooperation Agency (Sida). In 1993 the governments of Sweden and Nicaragua signed a cooperation act for the PRODEL; together agreed on creating a decentralized, participatory and sustainable program. During the process were realized infrastructure and community works, housing improvements through small loans, financial assistance to micro-enterprises through small short-term loans and technical assistance and institutional development practices.

6.3.1.1 The Local Economic Development program and the Carmen community

As Nicaragua is the neighbor country to Costa Rica, the Nicaraguan program could be very useful example of local economic conditions improvement. The complex connection between all the involved stakeholders (government, nongovernmental sector, local governments and municipalities, communities, private sector and international coordinators) could bring very positive impacts on their mutual relation and their future cooperation. The program environment should be formed by governmental institutions in cooperation with NGOs and international coordinator; then the target groups (urban poor communities and individuals) would come to use the offered services (loans, micro-entrepreneurship support, housing and

infrastructure loaning). Very important and needed point would be soft infrastructure investment (workforce development) as well as the employment positions created through the entire program (administrative and institutional workers) and institutional development. Anyway, for successful implementation of this kind of program are set some assumptions, such as willingness of the communities to participate and build up their development, political will and willingness of the government and local government and international support (financing, know-how).

6.4 The case studies summary

The suggested solutions (see Table 5) demonstrate the possible variability of the programs’ coordination and financing (governmental, nongovernmental – church or community based). The very important outcome of the solutions analysis is the fact that the participation of target groups (the urban poor, urban communities) is either needed or required for the right and appropriate run of the certain programs. Moreover, no matter who coordinates or leads the program, but managed results through the mutual cooperation of the coordinators and the communities seem to be achievable.

Table 5: The Case Studies Summary

The Case Study	Coordination	Financing	Active Participation of the Community	Impacts (obstacles overcoming)
Oportunidades	Government	Government	Required	Increasing human capital, improving health care + nutrition
El Minuto de Dios	Church NGO	NGO and government	Needed	Increasing human capital, social integration, information provision
Madre comunitaria	Community	government	Required	Increasing women’s labor market participation, employment creation
PRODEL	Government, international coordinator, NGO, community	Government, international partner,	Needed	Improving local economic conditions (infrastructure, employment, housing, micro-entrepreneurship, institutional environment)

7 CONCLUSION

The Latin America and Caribbean is the region with the highest rate of urbanization and these trends tend to increase, also due to rural-urban migration that is caused mainly by a vision of the poor of better economic opportunities. Being poor and live in the city means to live in the monetized society – to generate income to survive, and therefore to face many disadvantages, risks and obstacles in their everyday life. In this thesis the situation of the urban poor in LAC is analyzed in the connection to the employment and the obstacles while entering the formal labor market are reflected and also possible solutions are suggested.

The main obstacles at the supply side of labor market are defined to be low level of human capital – missing access to quality and affordable education, lacking capacity building trainings and unavailable services – make their market price as a labor force lower, and therefore less competitive. The demand side causes other important obstacles for urban poor entering the labor market, such as discrimination, sectoral changes at labor market or failures at the formal labor market. The discrimination is mentioned in relation to the gender, when women cannot find adequate employment that could allow them to combine child care and paid work. Other sort of discrimination comes from the fact of being poor and living in the marginalized area, be native or black inhabitant. The labor market failures and sectoral changes are obstacles caused by labor market policy and employers behavior that should be prevented by the state interventions. Anyway, sometimes the state cannot easily face to such market failures (lack of capacities and finances) and therefore the urban poor are looking for any alternatives. Such alternative represent informal labor market, where workers are self-employed (owners of micro enterprises and small businesses) or work as informal salaried workers or contract workers.

With some of the mentioned obstacles meet also the Carmen community inhabitants whose example is used as a case study and possible solutions for their wellbeing are designed.

The suggested solutions constitute both governmental and non-governmental activities that are based on participation and self-empowerment of the urban poor. Capacity building centers founded by church NGO, communitarian child care program, governmental program promoting children primary education or local development approaches aimed at employment creation, all prove features of sustainability, long-term action and need of resources, but all work effectively to support the urban poor and to contribute to the urban poverty decrease.

8 SUMMARY

The aim of this thesis is to analyze the situation of the urban poor in Latina American and Caribbean countries in relation to the labor market. This work includes description of the recent situation of the urban poverty and its concepts within the LAC region in general, also state of the main labor market indicators (such as employment, unemployment, and underemployment) and item, the situation of the urban poor's living conditions in connection with the income generation. The main part of the work represents the analysis of the obstacles to which the urban poor must face while entering the formal labor market; the obstacles are discussed to be caused by the both sides –by the supply and demand side of the labor market. Item, in the work is mentioned the function of the informal sector as an alternative for the urban poor who find difficult or even cannot enter to the formal labor market. As the binding part, the work includes case study from Costa Rican community to provide labor market obstacles analysis. Last, there are set suggestions of the possible solutions – obstacles overcoming on the Costa Rican case study, which principles are demonstrated on the already working programs and projects.

Key words: Latina America and Caribbean, labor market, formal and informal employment, urban poor, labor market indicators

9 SHRNU TÍ

Cílem této bakalářské práce je analyzovat situaci chudého městského obyvatelstva Latinské Ameriky a Karibiku vzhledem k postavení na trhu práce. Tato studie zahrnuje obecný popis současné situace městské chudoby a jejího pojetí v latinskoamerickém a karibském kontextu, dále také popisuje stav hlavních indikátorů trhu práce (jako je zaměstnanost, nezaměstnanost, podzaměstnanost), a v neposlední řadě uvádí životní podmínky městské chudiny ve vztahu ke způsobu obživy. Hlavní část práce je zaměřená na rozbor překážek, kterým musí městská chudina čelit při vstupu na formální trh práce; tyto překážky jsou analyzovány jako příčiny ze strany nabídky i poptávky. Dále je ve studii zmíněn neformální sektor, a to jako alternativa pro městskou chudinu, pro kterou je obtížné nebo která jednoduše nemůže vstoupit na formální trh práce. Jako další, studie zahrnuje postřehy z výzkumu, který byl proveden autorkou v chudé městské komunitě v karibské části Kostariky. Na základě analýzy komunity jsou podány návrhy možných řešení, jejichž principy jdou ukázány na již fungujících programech a projektech.

Klíčová slova: Latinská Amerika a Karibik, trh práce, formální a neformální zaměstnanost, městská chudina, ukazatele trhu práce

10 ANNEXES

This chapter serves for replenishment of this thesis text; all following annexes relate to the references located in the previous chapters.

10.1 Matrix

Matrix 1: Urban Poverty Matrix

Dimension of poverty	Visible causes or contributing factors	Policy-related causes	Impacts on other dimensions of poverty
Income	<ul style="list-style-type: none"> -Dependence on cash for purchases of essential goods and services -Employment insecurity/casual work -Unskilled wage labor/lack of qualifications for well-paid jobs -Inability to hold a job due to bad health -Lack of access to job opportunities (urban poor often have to trade off between the distance to a job and the cost of housing) 	<ul style="list-style-type: none"> - Macroeconomic crises reduce real incomes -Failure of public services, such as education, health, infrastructure and transport, to serve the urban poor -Regulatory constraints on small enterprises perpetuate “informality” of work available to the poor, discourage asset accumulation and access to credits, and increase vulnerability of workers 	<ul style="list-style-type: none"> - Inability to afford housing and land, resulting in underdevelopment of physical capital assets - Inability to afford essential public services of adequate quality and quantity (for example, inadequate water supply can cause unhygienic living conditions and ill health) -Poor human capital (for example, bad health and educational outcomes due to stress, food insecurity, and inability to afford education and health services) - Depreciated social capital resulting in domestic violence and crime
Health	<ul style="list-style-type: none"> -Overcrowded and unhygienic living conditions -When housing and industrial functions are juxtaposed in cities, residential environments become prone to industrial and traffic pollution -The poor in cities settle on marginal lands prone to environmental hazards such as landslides and floods -Exposure to diseases due to poor quality air and water and lack of sanitation - Injury and deaths arising from traffic - Industrial occupational risks (for example, unsafe working 	<ul style="list-style-type: none"> -Land and housing regulations can make proper housing unaffordable, pushing residents into disaster-prone and polluted areas -Bad policy frameworks and failure of public services such as environmental and health related services (water and sewerage, solid waste disposal, drainage, vector control) to keep pace with population growth -Lack of labor protection (worker safety) -Poor traffic management and pedestrian facilities - Lack of safety nets and social support systems for families and 	<ul style="list-style-type: none"> -Inability to hold a job -Inability to earn sufficient income -Reduced ability of children to learn due to illness (for example, lead poisoning) -Risk of injury and associated income shocks -Poor education outcomes

	conditions, especially for those in informal-sector jobs)	young people	
Education	<ul style="list-style-type: none"> -Constrained access to education due to insufficient school capacity in rapidly growing cities -Inability to afford school expenses -Personal safety/security risks deterring school attendance 	<ul style="list-style-type: none"> -Inability of public authorities to provide classrooms and schools of adequate size -Lack of safety nets to ensure ability to stay in school during family economic hardship -Insecure and unaffordable public transport 	<ul style="list-style-type: none"> -Inability to get a job -Lack of constructive activity for school-age youth, contributing to delinquency -Continued gender inequities
Security	<p><u>Tenure insecurity</u></p> <ul style="list-style-type: none"> -Land and housing in authorized areas are not affordable, so the poor typically build or rent on public or private property. Houses lack proper construction and tend to be in unsafe areas prone to natural hazards <p><u>Personal insecurity</u></p> <ul style="list-style-type: none"> -Drug/alcohol abuse and domestic violence -Family breakdown and reduced support for children -Social diversity and visible income inequality in cities increase tensions and may provide the temptation to commit crime 	<p><u>Tenure</u></p> <ul style="list-style-type: none"> -Land policies do not make sufficient developed land available for the poor -Urban development policies are not conducive to regularization of tenure or providing other forms of tenure security in some unauthorized settlements -Inappropriate standards and codes make housing unaffordable - Regulations result in costly and cumbersome procedures to get registered or to obtain occupancy permit - Lack of access to credit <p><u>Personal</u></p> <ul style="list-style-type: none"> -Lack of employment opportunities, services, and assets (both communal and personal) produce areas within cities that are centers of crime and desolation -Lack of safety net policies and programs 	<p><u>Tenure</u></p> <ul style="list-style-type: none"> -Evictions that cause loss of physical capital, damage social and informal networks for jobs and safety nets, and reduce sense of security - Inability to use one's home as a source of income (for example, through renting a room or creating extra space for income-generating activities) <p><u>Personal</u></p> <ul style="list-style-type: none"> -Diminished physical and mental health and low earnings -Damage/loss to property and increased costs for protection and health care -Depreciated social capital, such as loss of family cohesion and social isolation
Empowerment	<ul style="list-style-type: none"> - Illegitimacy of residence and work -Isolation of communities that are disconnected from jobs and services 	<ul style="list-style-type: none"> -Regulatory and policy frameworks for service provision, housing and land, and income generating activities make the settlements and/or occupations of the poor informal or illegal," thereby denying the poor the 	<ul style="list-style-type: none"> -Lack of access to urban services -Sense of isolation and powerlessness -Violence

-Insufficient channels of information for obtaining jobs, learning of legal rights to services, and so forth	rights of other urban citizens	-Inefficient use of personal time and money to seek alternative forms of redress (for example, payment of bribes)
-Not having the rights and responsibilities of citizens	-Oppressive bureaucracy and corruption	
	-Official or unofficial discrimination	

SOURCE: The World Bank: Macroeconomic and Sectoral approaches (Volume 2), Urban Poverty (Chapter 16), Table 16.1; (Baharoghlu and Kessides, 2001)

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