

URBAN ASSESSMENT

of

SAN JOSE, COSTA RICA:

FOCUS ON POVERTY

San José \*

September 21, 1977



## TABLE OF CONTENTS

	<u>PAGE</u>
CHAPTER I: INTRODUCTION . . . . .	1 - 2
CHAPTER II: SUMMARY AND CONCLUSIONS . . . . .	3 - 6
CHAPTER III: COUNTRY SKETCH . . . . .	7 - 11
CHAPTER IV: URBAN FUNCTIONAL ANALYSIS . . . . .	12 - 36
CHAPTER V: MIGRATION . . . . .	37 - 53
CHAPTER VI: POVERTY . . . . .	54 - 89
CHAPTER VII: SOCIAL ANALYSIS OF THE POOR AND COMMUNITY ORGANIZATION . . . . .	90 - 103
CHAPTER VIII: EMPLOYMENT . . . . .	104 - 154
CHAPTER IX: URBAN ADMINISTRATION AND FINANCE . . . . .	155 - 165
CHAPTER X: HOUSING . . . . .	166 - 200
CHAPTER XI: URBAN POLICY PLANNING AND PROGRAM COORDINATION . . . . .	201 - 208
CHAPTER XII: EXTERNAL ASSISTANCE TO THE URBAN SECTOR . . . . .	209 - 213
CHAPTER XIII: URBAN DEVELOPMENT STRATEGIES AND PRIORITIES . . . . .	220 - 229

## PREFACE

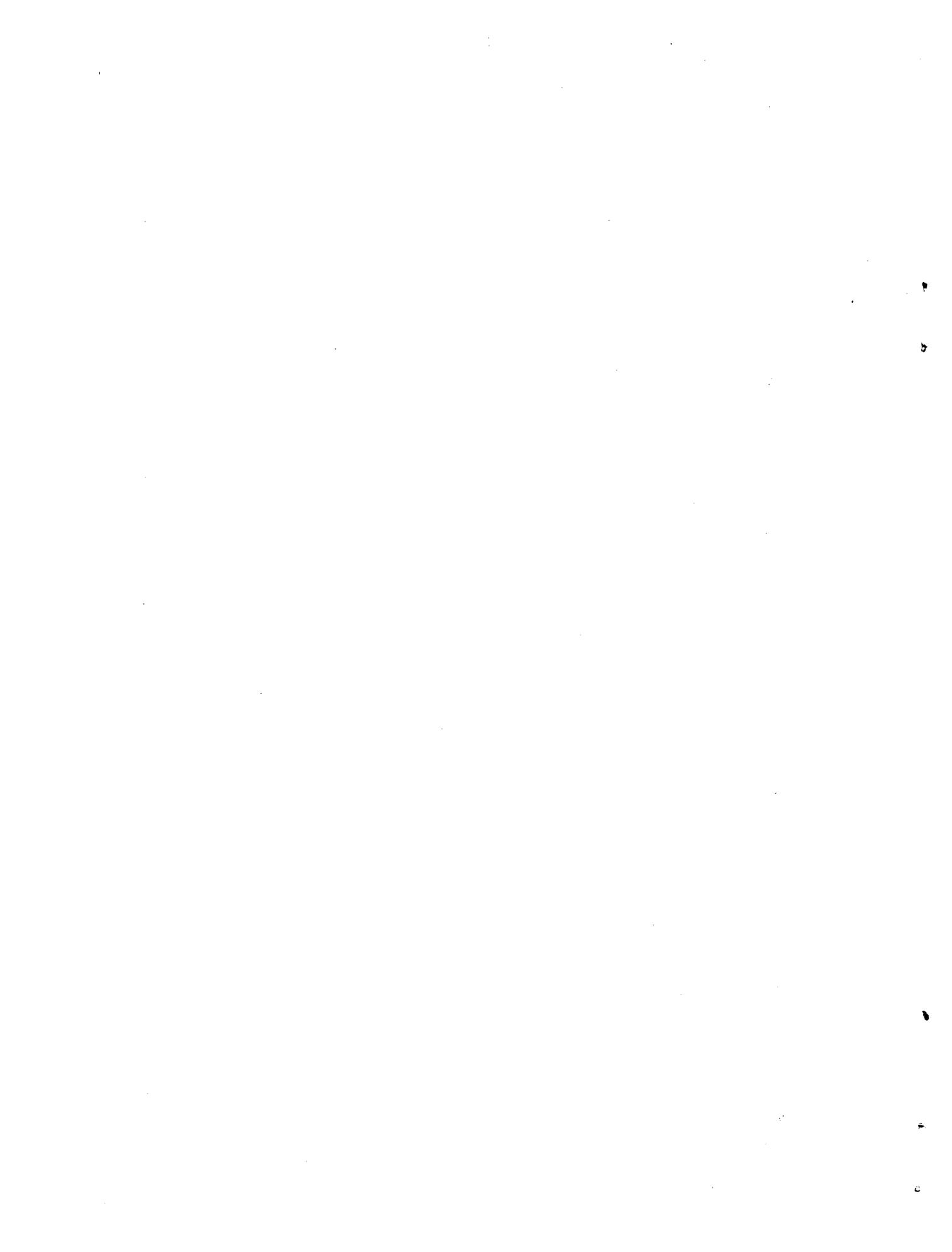
The urban sector assessment of San José, Costa Rica, is the result of a team effort. The National Planning Office (OFIPLAN) housed a five-person team whose members did research from March until September 1977 on some of the areas covered in this report. They were Ignacio Ardid, Vinicio Gonzalez, Ana Porrás, Emilia Rodríguez, and Carlos Silva. In addition, in the Ministry of Labor, Marisa Pimenta and Rodolfo Tacsan worked on sections of the report that fell into areas of interest to the Ministry.

The most important statistical raw materials used include:

- 1973 population census. The University of Florida made tabulations of the 1973 census that compared characteristics of the tugurio and non-tugurio population in that year.
- July 1976 employment survey, administered jointly by the Ministry of Labor, the National Office of Statistics and Census, and the Ministry of Economy.
- May-June 1977 sample surveys of tugurio residents, carried out by the Office of Information. One survey covered tugurio households taken as units. A second concentrated on the characteristics of adults living in those neighborhoods.

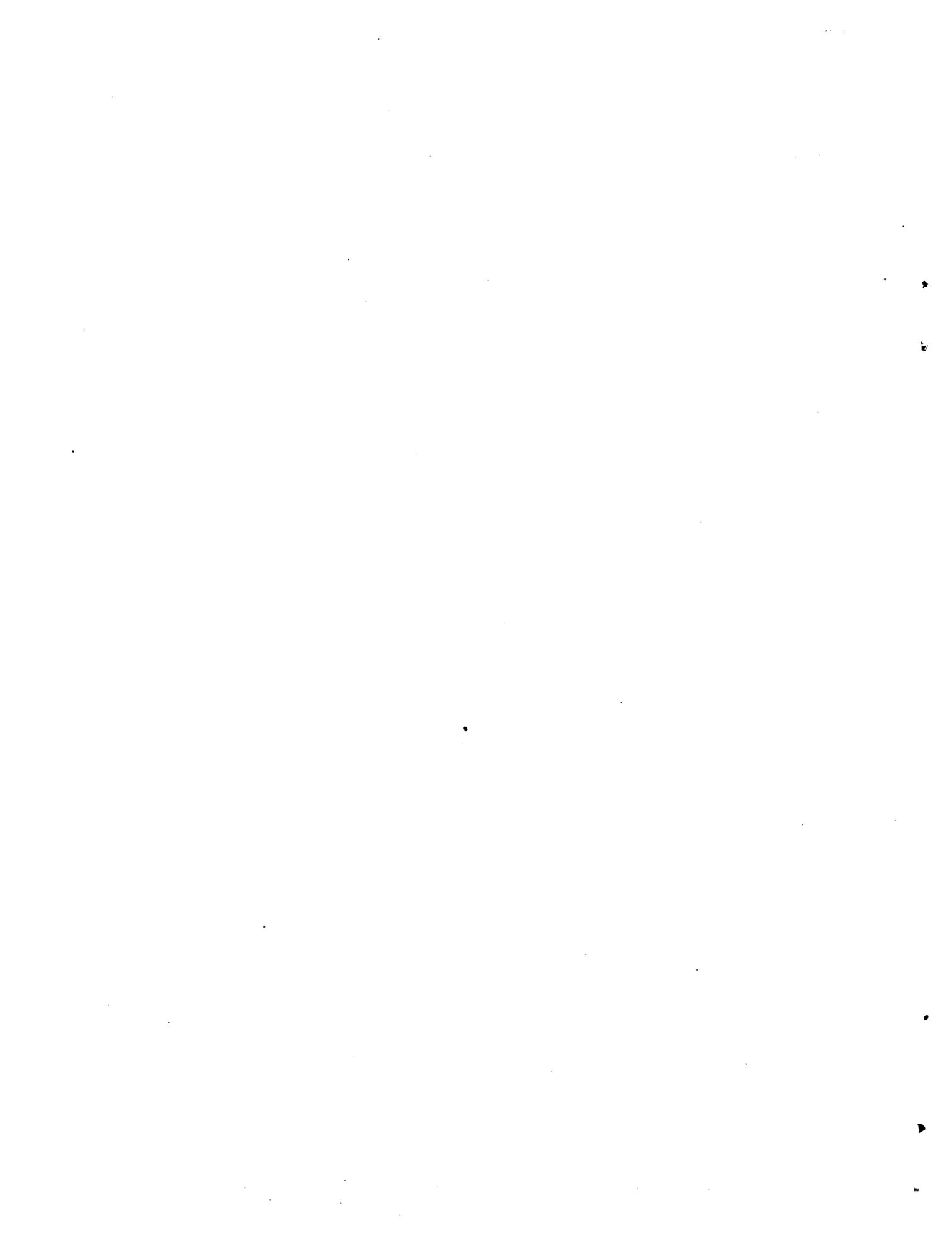
The work of the OFIPLAN study team and of the Ministry of Labor, together with the statistical raw materials cited above and other appropriate literature and data, were used to formulate the present report. Two consultants to the U.S. Agency for International Development (AID), Bruce Herrick and Barclay Hudson, were chiefly responsible for writing, translating, and coordinating this version of the final report.

San Jose, Costa Rica  
21 September 1977

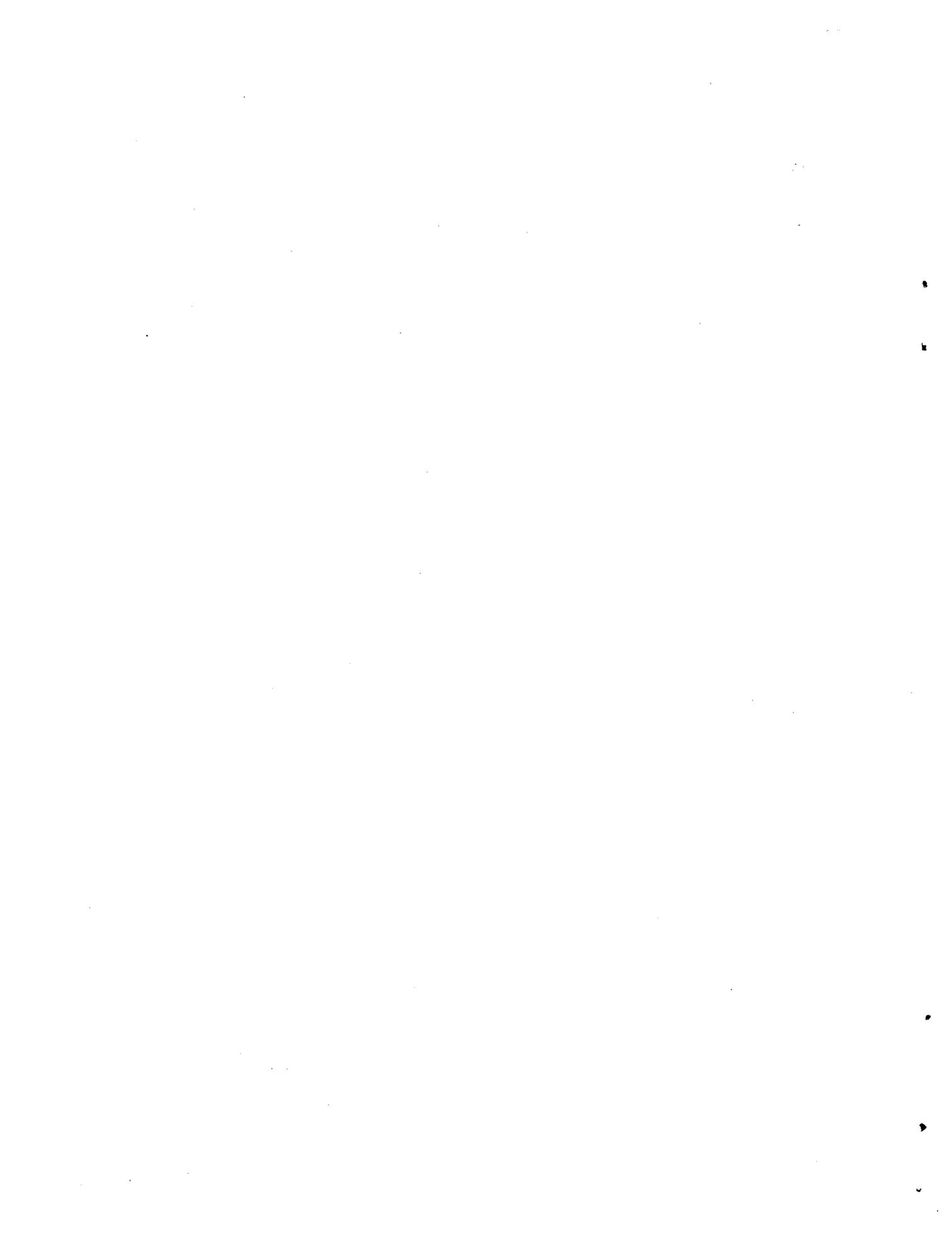


ACRONYMS

AI TEC	Acción Internacional Técnica (Consulting Firm)
BCIE (CABEI)	Banco Centroamericano para Integración Económica (Central American Bank for Economic Integration)
CACM	Central American Common Market
CAN	Consejo Agropecuario Nacional (National Agricultural Council)
CCSS	Caja Costarricense de Seguridad Social (Costa Rican Social Security Fund)
DINADECO	Dirección Nacional de Desarrollo de la Comunidad (National Agency for Community Development)
GO CR	Government of Costa Rica
IDB	Inter-American Development Bank
IFAM	Instituto de Fomento y Asesoría Municipal (Municipal Development Institute)
IMAS	Instituto Mixto de Ayuda Social (Social Assistance Institute)
INA	Instituto Nacional de Aprendizaje (National Institute for Apprenticeship)
INCAP	Instituto de Nutrición de Centro América y Panamá (Nutrition Institute for Central America and Panama)
INFOCOOP	Instituto de Fomento Cooperativo (Cooperative Development Institute)
INS	Instituto Nacional de Seguros (National Insurance Institute)
INVU	Instituto Nacional de Vivienda y Urbanización (National Housing Agency)
ITCO	Instituto de Tierras y Colonización (Land and Colonization Institute)



MAC	Ministerio de Agricultura y Ganadería (Ministry of Agriculture and Livestock)
MEIC	Ministerio de Economía, Industria y Comercio (Ministry of Economy, Industry, and Commerce)
OAS	Organization of American States
OFIPLAN	Oficina de Planificación Nacional (National Planning Office)
PA'DCO	Planning and Development Collaborative (Consulting Firm)
PROVIS	Programa de Vivienda de Interés Social (National Program of Social Interest Housing)



## Chapter I: INTRODUCTION

This Urban Sector Analysis has three purposes: to describe urban poverty in Costá Rica, at several levels of disaggregation; to suggest broad priorities for policy intervention, based on analysis of constraints bearing on improvement of poor communities; and to test the usefulness of the recently developed AID Guidelines for Urban and Regional Analysis, using Costa Rica as a case study.

Special attention is given to the nature, location, and causes of poverty. As suggested by this and earlier studies, poverty cannot be addressed as a homogeneous concept. People slightly below the level of minimum incomes have one set of needs and respond best to one set of policy interventions; those close to absolute despair have other needs and require a different mix of programs. "Contingency strategies" of this sort proposed by PADCO (1976), Adelman and Morris (1973) and others therefore bear directly on the nature of the Urban Sector Analysis presented in this report. It is necessary not only to identify who are the poor and where they are located, but what kind of poverty and constraints to self-improvement they face.

An important finding of this analysis is that poverty is not well defined by geographic areas in Costa Rica. Poor and rich are relatively well mixed together, whether one examines data from the national level, the Urban Agglomeration covering the five largest cities in the Central Plateau, the Metropolitan Area of the capital city itself, or district and census tracts within San José. To be sure, there are tugurios (slums) that are geographically well defined, but their income profiles are not as dramatically different from other urban areas as one would likely find in other countries. This means that poverty intervention strategies must be targeted with fine-grained techniques and that broad-brush treatment will be insufficient.

The country's success in avoiding the severe duality between rich and poor found in other less developed countries is due in great part to the progressive social structure and Government programs of Costa Rica. At the same time, it poses a challenge to analysts and programmers of technical assistance and service delivery agencies in the field. The poor are there, and many are truly poor, but they are hard to target and reach. In recent decades, the lowest two income deciles have been gaining less than the upper deciles, in relative as well as absolute terms, and many have gained absolutely nothing from the otherwise quite impressive development of Costa Rica's economy and outreach of social services.

For present purposes, poverty is measured largely in terms of income levels and employment status, for which data are generally available. Whenever feasible, poverty is also considered in terms of basic needs. Issues of education, health, nutrition and agricultural services, however, have been treated in other sector analysis reports. Consequently the present study focuses primarily on housing and employment generation requirements. The substantive composition of the present report is nevertheless broad-ranging, reflecting both the complexity of the urban phenomenon and the multiple faces of poverty. Four chapters make up the major empirical analysis: migration, poverty, employment, and housing. Other chapters deal with community organization; urban administration, urban policy, planning, and program coordination; and external assistance. Early chapters are also devoted to a country sketch, and a brief functional analysis of Costa Rica's major cities. The second chapter summarizes the study's findings, although policy implications are also drawn out in each of the major substantive chapters. Appendices include bibliographical references and a description of the household survey used for this study.

## Chapter II. SUMMARY AND CONCLUSIONS

This report surveys urban poverty in San José, focusing mainly on the Metropolitan Area. Costa Rica's relatively high income per capita (the highest in Central America), the concern and effectiveness of its public institutions in dealing with its lowest income citizens, the tradition of democracy and orderly political change, and its free press and impressive coverage of public education all differentiate it from more typical developing countries.

At the same time, as shown throughout the report, poverty continues to exist in Costa Rica, and Costa Ricans are well disposed and well prepared to recognize the distance still to be covered. Poverty, including some truly desperate levels of poverty, clearly exists in this country; but a clear image of its scale and nature is blurred by the use of data averages, whether looking at the national picture, the Metropolitan Area, or the individual tugurio. To a remarkable degree, the poor are intermingled with the rich. They do not emerge as second-class citizens in a dual society, onto ghettos and backwash areas, to the extent found in other countries. This creates problems in identifying and locating the poor, but as soon as data aggregates are broken down and finer grain analysis done, the depth and magnitude of poverty become apparent. While the heterogeneous mix of poor and non-poor masks the scale of the problem, it also opens up new opportunities for integrating the poor into the mainstream of development.

Much of this report is based on an empirical investigation of San Jose's slums, shacks, and shantytowns ("tugurios"). While poverty is more concentrated in these physically deteriorated zones than elsewhere, there is a broad similarity between many of the socio-economic characteristics of the residents of tugurios and those of people living outside these neighborhoods. And since a majority of the city's poor (three fourths) do in fact live outside tugurios, an exclusive focus on these districts would be inappropriate.

The report reveals a number of forms of urban poverty. Most of the poor are able bodied, un- or under-employed but seeking work, and unskilled or semi-skilled but willing to be trained. Policy recommendations are made in this report that would directly affect the economic wellbeing of these low-income families. They range from the broadest market-oriented policies ("ensure that factor prices are consonant with factor productivity") to the narrowest skill-building suggestions ("fill short-term training courses using referrals from the Employment Service").

However, poverty in San Jose is not exclusively identified with unemployment or low wages. In the most desperate cases, found at the lowest income levels, labor market activity is simply not contemplated. These are persons who are too old, or too sick, or have no husband and

too many children, or who for some other reason simply are not candidates to get a job and earn an income. The above policy recommendations, therefore, will be inadequate for these people. Rather, special fine-tuned programs will need to be developed for them --perhaps involving public subsidies such as those already being implemented through various Government of Costa Rica programs. This means that self-financed poverty programs may not always be feasible. Any urban poverty analysis must keep in mind the substantial number of persons that cannot be reached by self-financing solutions, especially among the very poorest. The progressive and active concern for the disadvantaged, a concern exemplified by Costa Rica requires that an adequate mix of strategies, ranging from self-help programs through transfer payments and charitable institutions be devised.

The study examines migration and, in particular, the characteristics of migrants to tugurio neighborhoods. Recent surveys show that migrants are not found disproportionately in tugurios, that their incomes are not strikingly lower than those of non-migrants, and that their unemployment rates are not higher than those experienced by comparable non-migrants. There is no evidence of accelerating migration to the San José Metropolitan Area, although migration to the outer areas of the Urban Agglomeration is increasing at twice the rate to the Metropolitan Area. The subject needs continuing study, especially based on further empirical evidence on the rate and role of internal migration.

Each chapter of this Urban Sector Assessment begins with a summary of major findings and policy conclusions. The most important of these follow:

- During the last two decades an historical trend in population movement toward rural outer regions has reversed toward the San José Urban Agglomeration, i.e., towards increasing population concentration and suburbanization. (Chapter IV).
- Poverty in San José cannot be dealt with through intricate manipulation of the national system of urban functions or through the creation of industrial growth poles in the rural periphery. Rather, one should deal with poverty where it is --in both urban and rural areas. It is especially important to avoid stripping away (through migration) rural skills and initiative. (Chapter IV).
- Migration to the San José Metropolitan Area has increased in absolute numbers, although the rate has not accelerated. In contrast, migration to the outer regions of the Urban Agglomeration has accelerated (rates are twice as high as to the Metropolitan Area). (Chapter V).

- There are no significant differences between migrant and non-migrant groups with respect to socio-economic conditions. (Chapter V).
- Approximately 20 percent of the Metropolitan Area population falls below the subsistence level (€1,300 per capital income) and 36 percent below the poverty level (€2,000). The concentration of poverty is higher in tugurio areas (32 percent below the €1,300 subsistence level). (Chapter VI). \*
- Less than one-fourth of the total poor population of San José lives in tugurios --the other three-quarters are scattered throughout the Metropolitan Area. Therefore, programs and policies to help the poor must go beyond tugurios and must be finely tuned to the needs of families and individuals. (Chapter VI).
- Demographic, employment, and income characteristics of the poor do not vary greatly between tugurio and non-tugurio poor. (Chapter VI).
- Costa Rican tugurios are relatively well organized and capable of mobilizing themselves for collective action. Also, some two-thirds of the people interviewed said they would turn to local government or political channels for action on grievances. (Chapter VII).
- Community development programs must be geared to the expressed needs of the community and must involve considerable local participation in planning and implementation. (Chapter VII).
- The employment situation in the tugurios is worsening, especially serious when compared to the entire Metropolitan Area where the unemployment rate dropped between 1973 and 1977. Male unemployment rates reach 25 percent, female rates 11 percent for the Metropolitan Area poor. (Chapter VIII).
- Only one-sixth of San José's tugurio residents can be classified as part of an "informal" employment sector in which employment is transitory and self-employment common. On the other hand, small scale enterprise was found to be an important source of regular employment for tugurio residents. (Chapter VIII).
- The vast majority of tugurio job-holders found employment through informal information networks, rather than through advertisements or employment services. There was however, a strong expressed interest, and for many an expressed need, to undergo additional job training. (Chapter VIII).

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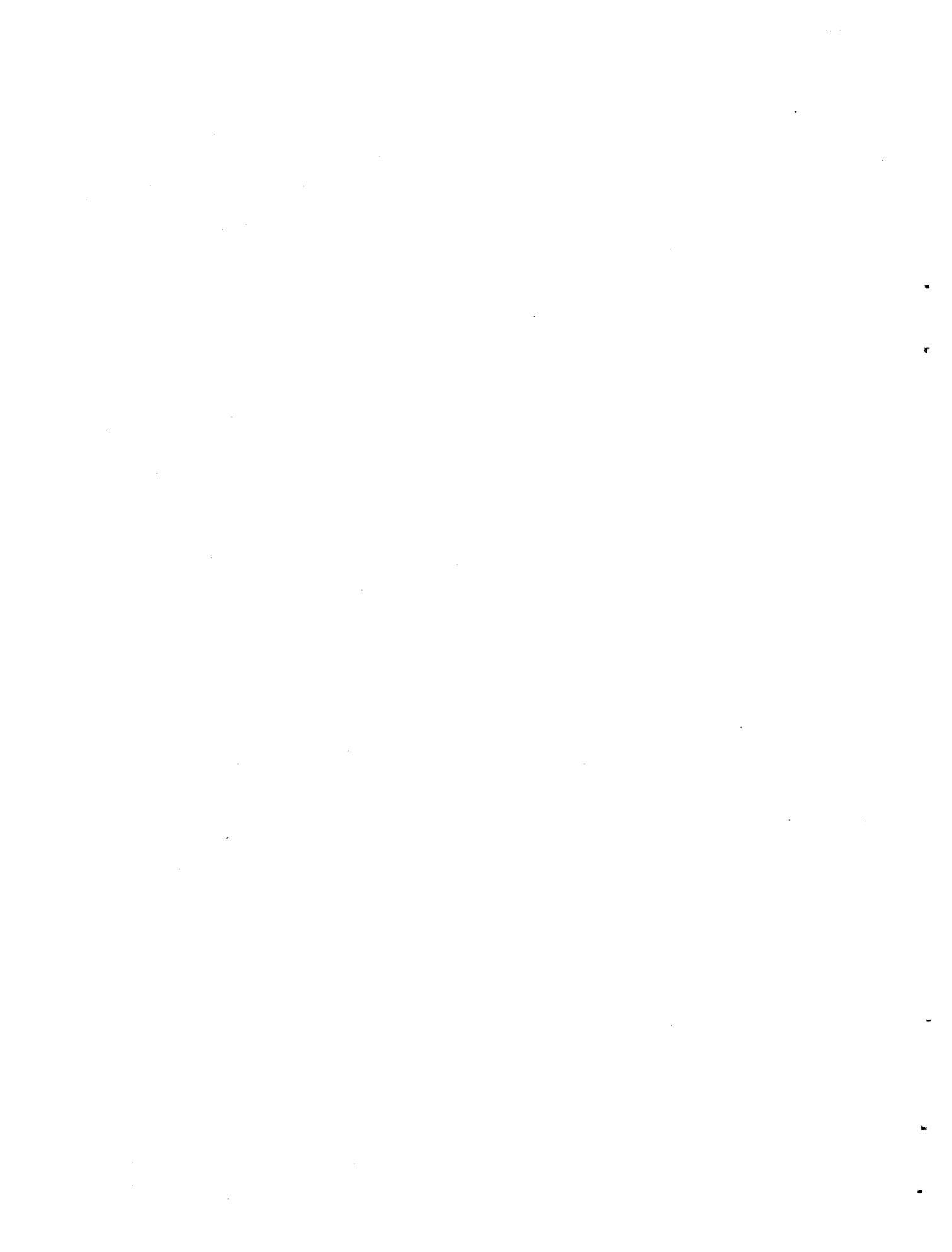
\* See Chapter VI, pages 61-62 and 84-85, for discussion of the apparent anomaly of persons living below the "subsistence level".

- There are a number of employment policies which the Government can use to stimulate the demand for labor -- appropriate factor prices, intermediate technology, public service employment for the hard-core unskilled, and support for worker-owned labor-intensive firms-- and the supply of labor -- strengthening the employment service, improved apprenticeship and short courses, and subsidized on-the-job training. (Chapter VIII).
- New mechanisms for planning interagency coordination and the localization of authority -- i.e., devolution of effective power to mobilize and integrate political resources with technical resources -- will need to be developed for urban poverty programs. Lessons may be learned from the more extensive experience in rural areas. The new mechanisms must focus on the perceived needs of the poor in order to maximize local participation. (Chapter IX).
- Housing conditions in San José improved considerably between 1963 and 1973, although tugurio housing remains more deteriorated than housing elsewhere in the Metropolitan Area. (Chapter X).
- A National Housing Policy should be formulated in order to permit the more effective and efficient utilization of available financial and institutional resources. Special attention needs to be given to those factors which have prevented adequate investment funds from reaching low-income families. (Chapter X).
- Purchasing power currently channeled into rental payments is available for modest housing solutions (either new housing or improvement). For the very poor who cannot pay, a variety of social assistance institutions already exist to help. (Chapter X).
- Housing solutions should involve as little abrupt change in the lives of residents as possible. Improvement of existing structures is preferred. Also, self-help housing and the sites-and-services approach should be combined to the extent possible. (Chapter X).
- A number of agencies have been created, studies conducted, and enabling legislation drafted (or passed) to initiate new national urban and regional development policy. (Chapter XI).
- Existing external assistance to the San José Urban Agglomeration is "macro" in nature. It addresses broad issues of infrastructure, housing, credit, planning -- but is not coordinated or targeted to specific poverty groups. In order to meet the needs of these groups, specific programs in such areas as job placement, promotion of labor-intensive technology, stimulation of new production possibilities, community services and infrastructure, and home improvement need to be developed. (Chapter XII).

Chapter III. COUNTRY SKETCH

CONTENTS

	<u>Pages</u>
A. Basic Population and Economic Characteristics of Costa Rica	8
B. National System of Urban Centers	9



### Chapter III. COUNTRY SKETCH

#### A. Basic Population and Economic Characteristics of Costa Rica

Mid-1977 population is estimated at 2.1 million. At this time, 41 percent of the population live in urban areas (versus 59 percent for Latin America as a whole, and a range of 31 to 50 percent for the five other Central American countries). The World Bank calculates that per capita GNP in 1975 was U.S. \$910, slightly below the Latin American average (\$1,030), but higher than most other Central American states (Nicaragua \$720, Guatemala \$650, El Salvador \$450, Honduras \$340, Panama \$1,060).

Most social indicators show Costa Rica to be fairly advanced. It has a birth rate of 29 per thousand (versus 36 for Latin America), a death rate of 5 per 1,000 (versus 9 for Latin America), a natural rate of increase down to 2.4 percent annually (versus 2.7 for Latin America), a low rate of infant mortality (38 per 1,000 live births versus 78), and high life expectancy at birth (68 years versus 62). Under these conditions it would take Costa Rica 29 years to double its population, to about 4 million in the year 2,000. <sup>1/</sup> For each of these indicators, Costa Rica is the most advanced of the Middle American countries, including Mexico.

However, as later chapters will show, averages on Costa Rica are deceiving. At the median income level, the picture looks favorable. Below that, there are conditions of significant poverty which the country's Government is committed to attack through a wide variety of means. As yet, however, strategies have not been well coordinated, and design of an integrated policy awaits a comprehensive analysis of poverty problems. The present study is intended to help fill this role.

In the long run, Costa Rican prospects are favorable, as illustrated by two recent phenomena. First, its long-run decline in fertility is the most rapid ever recorded for a Latin American country and it is still falling. <sup>2/</sup>

<sup>1/</sup> The OFIPLAN estimate for the year 2,000 is 3.5 million. The higher figure is based on the 29-year "doubling time" estimate provided by the Population Reference Bureau's "1977 World Population Fact Sheet".

<sup>2/</sup> Fox and Huguet, Demographic Trends and Urbanization in Costa Rica, Inter-American Development Bank, 1975, p.1.

The government took an active interest in family planning beginning in the mid sixties; but the decline had already shown up before that time, possibly as a result of other government programs in social services, which have a long history in Costa Rica. The second optimistic sign is Costa Rica's success in meeting the crisis of oil price increases and general inflation during the mid seventies. Inflation rose dramatically, but was then checked without undue sacrifices in economic growth and exports. The country's GDP increased at an average annual rate of 6.5 percent during 1966-1977, with inflation held to an average 6 percent, except for the 1973-75 crisis.

### B. National System of Urban Centers

Like most Latin American countries, Costa Rica has a primate city, San José, located in a pleasant climate on the Central Plateau between mountain ranges running along the Northwest-Southeast axis of Central America. For purposes of this analysis, the term "San José" refers to the greater Metropolitan Area comprising approximately 500,000 inhabitants in 1973 and estimated at 550,000 as of July 1976. <sup>3/</sup>

Three smaller cities also lie within the Central Plateau within a distance of 20 kilometers from the capital: Alajuela (pop. 34,000), Heredia (26,000), and Cartago (34,000). These and other proximate settlements, along with intervening rural areas, make up a larger region referred to as the Urban Agglomeration, whose total population is on the order of 800,000.

Three other cities deserve note. Puntarenas (pop. 26,000) on the Pacific coast and Puerto Limón (30,000) on the Caribbean lie at the ends of an East-West axis of cities and roads with its center in San José. Liberia (11,000) stands by itself in the northwest province of Guanacaste.

Officially, the country is divided into seven provinces which are further sub-divided into cantons and districts. Other units of government are based on geographic areas that do not always coincide with the province-canton-district divisions. At the local level, there are traditional municipalities, whose functions have in some ways been by-passed by the nature and scale of modern urban problems,

<sup>3/</sup> The greater Metropolitan Area is made up of the Canton Central of the province of San José and 10 surrounding cantons in its zone of immediate influence, with the exception of those districts which by their characteristics of topography or excessive distance from the canton Central, do not offer possibilities for integration with this central nucleus.

and eclipsed by new governmental units. Recently, however, there has been an effort to renovate and revive government at this level, with help from IFAM. There are also other less traditional units at the local level, such as the Community Development Associations. At the country level, the National Planning Office, OFIPLAN, has created six Planning Regions, roughly the size of Provinces, but far more logically delineated from the standpoint of territorial integration and policy-making.

The term "San José" can be ambiguous: it can refer to the Canton Central of the capital; to the broader Metropolitan Area; to one of the seven provinces; or to the Urban Agglomeration as a whole. In most urban and regional planning documents, however, San José refers to the Metropolitan Area comprising roughly a half million people. The present study focuses principally on this area, and the term "San José" will always denote this scope of territory unless otherwise noted.

If major attention were focused instead on the Agglomeration, the scope and findings of the present study would be somewhat different. For example, special effort would have gone to sampling cities in the belt outside San José (Alajuela, Cartago, Heredia) as well as the rural areas of the Agglomeration. Certain conclusions regarding migration would also have changed: the picture of stable (or possibly slackening) rates of migration in the Metropolitan Area would be supplemented by a broader picture to include the increase in migration found in the "belt" outside the Metropolitan Area which makes up the rest of the Agglomeration.

The primacy of San José is considerably stronger than that of capital cities in most other Central American countries, but weaker than other Latin American cities at more advanced stages of urbanization. Whereas San José contains a quarter of the country's population, Montevideo contains nearly half of Uruguay's, and Buenos Aires more than a third of Argentina's. If the entire San José Agglomeration is considered, this represents 45 percent of the Costa Rican population.

The shift of population toward San José from outlying provinces is viewed by many urban analysts with alarm, and there is growing interest in policies to develop viable growth poles in other regions. The specters of urban unemployment, crowded housing, pollution, traffic jams, crime, and other urban ills are met with speeches and writings on the need to preserve pride in rural lifestyles, independent farming, preservation of natural resources, and decentralized foci of national life. Other observers see the growth of San José as a natural feature of economic and social development, and the inevitable result of agricultural frontiers running out and the conversion of farm land to extensive cattle raising.

It is simplistic, in any case, to characterize the growth of San José as an urban explosion. Some parts of San José, especially in the Central Canton itself, are actually shrinking in population, and there are signs that the growth rate is slacking off for the Metropolitan Area as a whole, comparing the 1963-73 decade against the previous one. As in so many other countries, San José is undergoing a process of suburbanization, with highest growth rates found roughly five to ten kilometers away from the capital center. 4/

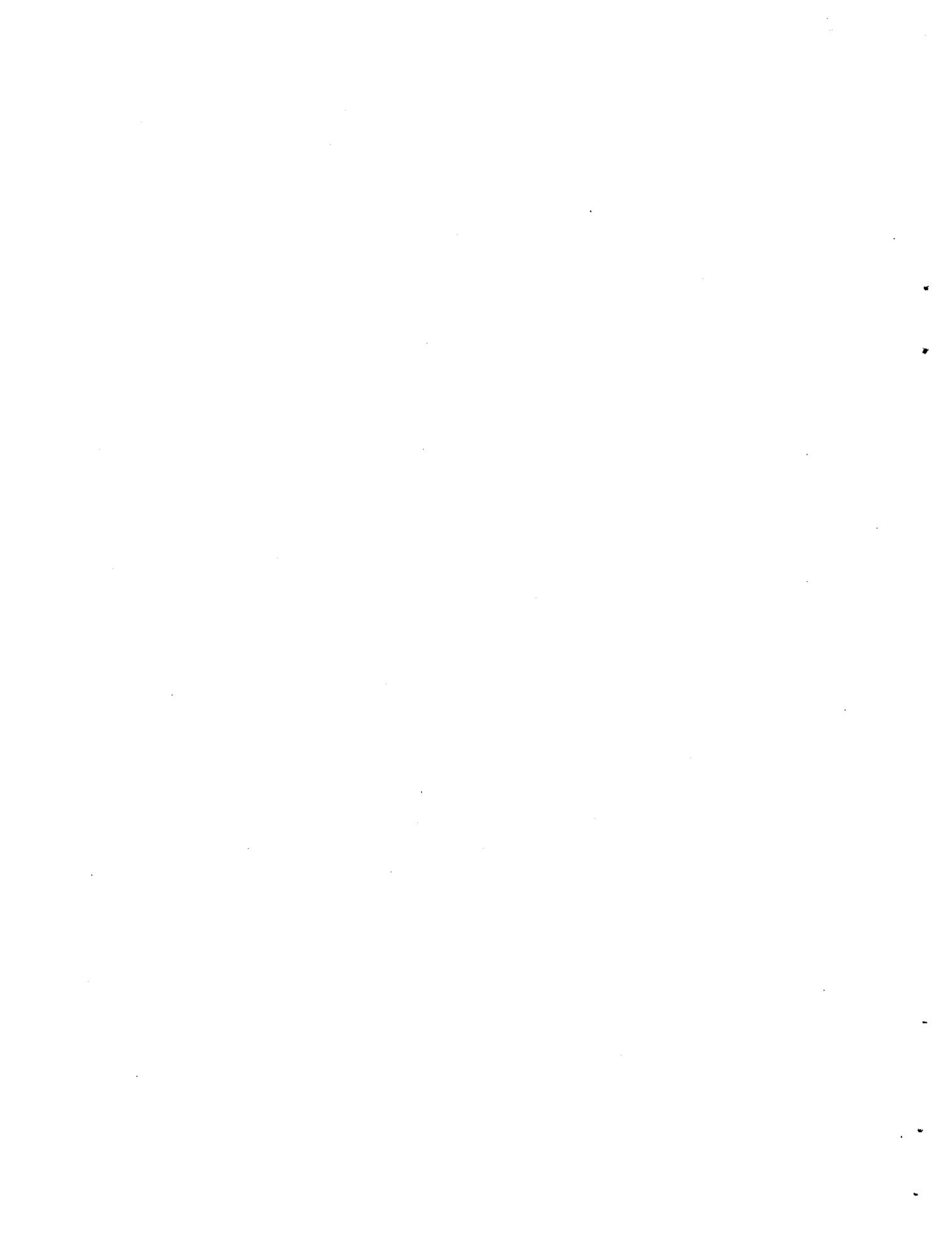
These urbanization patterns and resulting policy implications are discussed in greater detail in Chapter IV .

4/ Carvajal and Geithman, An Economic Analysis of Migration in Costa Rica. ed. 1977, p. 146 .

Chapter IV. URBAN FUNCTIONAL ANALYSIS

CONTENTS

	<u>Pages</u>
A. Major Findings and Policy Conclusions	13
B. Long-Term Historical Trends	13
C. Urban Functional Analysis in the Costa Rican Context	14
D. Forces Shaping the Growth of San José	17
1. The growth of jobs in San José	18
2. Limited decentralization of industrial investment outside the capital region	18
3. Climate	18
4. Markets, commerce and communication	18
5. Culture	18
6. Government centralization	18
7. Specialized services	19
E. Countervailing Forces	19
1. Reverse migration	19
2. Enriched infrastructure of small outlying cities	19
3. Basic services provision outside San José	20
4. Land use	21
F. Industrial Location as a Factor in the Hegemony of San José	22
G. Trends in Industrial Location	24
H. Policy Recommendations	27
I. Appendix: Possible Alternative Scope of Urban Functional Analysis	30
Maps	34
	35
	36



## Chapter IV. URBAN FUNCTIONAL ANALYSIS

### A. Major Findings and Policy Conclusions

- During the last two decades a historical trend in population movement toward rural outer regions has reversed toward the San José Urban Agglomeration. The century-long expansion into the agricultural frontier has given way to the inexorable forces of modernization characterized by large service, commerce, and industry sectors.
- General policies for decentralization of economic activities to other regions will not reverse the processes of increasing population concentration and suburbanization already operating in San José. Some of this concentration is shifting, however, from Central San José to the outskirts of the Metropolitan Area.
- The San José Urban Agglomeration fills the traditional role of a Latin American primate city. There is little reason to assume that urban poverty in San José can be significantly alleviated by establishing industrial growth poles in the country's periphery.
- It is fruitless to deal with poverty in San José through intricate manipulation of the national system of urban functions. Rather, one should go straight to the poor communities themselves.
- Urban poverty programs have to rely on parallel efforts to improve living conditions in rural areas. If not, forced migration to San José may become not so much a burden to the Metropolitan Area as a stripping away of skills and initiative from the areas left behind.
- Priority should be given to self-improvement projects in poor urban areas and to hiring the poor directly for construction and service, and other employment opportunities generated by such projects.

### B. Long-Term Historical Trends

The Central Plateau of Costa Rica has always been the country's main center of population, economic activity and government, chiefly because of its favorable climate. In the colonial era, Cartago, nearby to San José, served as the center of political, ecclesiastical and administrative control. Although power has always remained within the area now designated the Urban Agglomeration, population movements in

the country have generally been toward the outer regions, a tendency which has reversed only in the last two decades. There are mixed interpretations of the nature and consequences of this new trend toward concentration, but present alarm about urban congestion and calls for decentralization of economic and governmental functions can be better understood taking into account the historical turning point that Costa Rica has just experienced.

Table I shows population growth during the past century and the proportion of population within San José (the Metropolitan Area), within the larger Urban Agglomeration, within the entire Central Plateau, and in the rest of the country. It can be seen that maximum concentration in the Agglomeration and Plateau occurred early in the country's history. Their shares declined steadily with the growth of towns and agricultural activities in the outlying regions. The low point for the Agglomeration was in 1950 (41.1 percent of total population), while the low point for the Central Valley was in 1963 (55.5 percent). In the years immediately following, the city center of San José actually lost inhabitants from 101,000 in 1963 to 92,000 in 1973. The relative share of this core area had been declining even earlier, from its historical high of 10.9 percent in 1950 to 4.9 percent by 1973. The surge of growth in San José therefore, has been in the outskirts of the Metropolitan Area and in the surrounding belt making up the rest of the Agglomeration. Outside the Agglomeration, growth in the Central Plateau has been slow, more or less keeping pace with population growth in the country as a whole. Recently, however, this growth has been falling off somewhat: from about 3.0 percent annually in the period 1950/63 to 1.9 percent in the subsequent decade of 1963/73. Fastest growth seems to be at a distance of five to ten kilometers from the city center.

### C. Urban Functional Analysis in the Costa Rican Context

The previous data present a classic picture of suburbanization, but far more careful study would be needed to verify whether this spatial pattern brings with it the stereotypical problems of suburban growth: traffic congestion, decline of the commercial core, physical segregation of poor and rich neighborhoods, sterility of civic life and ugliness of urban form, land speculation benefitting the few at the expense of the many, and perhaps above all, loss of opportunities to design urban land uses in the best way for linking urban and rural sectors, as well as inadequate integration of places for residence and work, commerce and entertainment.

In a practical sense, these concerns go beyond the scope of traditional urban functional studies. The quality of urban life is not

Table I. Population of Costa Rica and Distribution, 1864-1973

<u>Area</u>	<u>1864</u>	<u>1892</u>	<u>1927</u>	<u>1950</u>	<u>1963</u>	<u>1973</u>
<u>Population ('000)</u>						
Costa Rica	120	243	472	801	1,336	1,872
Central Plateau	93	173	282	447	742	1,064
Urban Agglomeration <u>1/</u>	77	129	197	329	570	854
San Jose (Metropolitan Area) <u>1/</u>	26	46	89	180	321	464
Regions outside Central Plateau	27	70	190	354	594	808
<u>Distribution (percent)</u>						
Costa Rica	100	100	100	100	100	100
Central Plateau	77.3	71.1	59.8	55.8	55.5	56.8
Urban Agglomeration <u>1/</u>	63.7	52.9	41.9	41.1	42.6	45.7
San Jose (Metropolitan Area) <u>1/</u>	22.0	19.0	18.9	22.5	24.0	24.8
Regions outside Central Plateau	22.7	28.9	40.2	44.2	44.5	43.2

1/The boundaries of these geographic units are drawn somewhat differently from other sources used in this study, but the general pattern of population distribution is not greatly affected.

Source: Adapted from Zumbado and Neuhauser, in Carvajal ed. (1977), tables 2.1 and 2.2, pp. 71, 73.

captured by conventional tools of economic and spatial analysis. Moreover, it takes extraordinary vision and leadership to shape cities in defiance of market forces and private interests that create the problems of urban congestion, sprawl, and vast commuting networks. On the other hand, certain aspects of the quality of urban life are central to urban poverty issues. For example, urban transportation systems are almost always designed to accommodate private automobiles, owned more by the rich than the poor. Commercial activities and manufacturing job opportunities follow the highways built for cars, creating new opportunities for those who can drive, but removing them from those who cannot. Rising land values in the periphery benefit those with the capital to speculate early, while raising the effective cost of land, housing and living for those who are less economically competitive. The number of middlemen between farm production and central market grows with the encroachment of urban land on nearby farms, increasing food prices for the poor.

None of these problems, however, is well addressed by conventional tools of urban functional analysis. No matter how well the problems are described, analysis does nothing to solve them. General policies for decentralization of economic activities and population to other regions will not reverse the processes of suburbanization already gathering steam in San José. The historical pattern is too well defined in other countries to hope for any major exception in Costa Rica.

Urban functional analysis in Costa Rica therefore must focus on a more modest set of issues, keeping in mind that related policies will not, in fact, address the larger problems that writers and speechmakers in Costa Rica have in mind when they talk about contemporary urban problems.

It should be noted that there exists a separate tradition of urban functional analysis--not applied in this study--which is more directly concerned with the nature of historical forces shaping the city and urban society, and which addresses itself explicitly to intervention in those historical forces. This approach is discussed in the appendix to this chapter.

The present analysis, however, does not address urban problems as stemming from a single historically coherent process from the market forces that shape the city and determine its major functions and spatial distribution in a free market economy. Nor does it deal with the viability of the rural sector, which affects urban poverty not only with respect to migration flows and future markets for urban products, but also determines the basic health of the Costa Rican economy upon which future public investments in urban poor communities are dependent.

Instead, this study focuses on the general magnitude of urban problems facing the poor, not with a view to intervening in the basic causes of poverty generated by the "urban system," but simply for the purpose of alleviating specific ills where they are encountered at their worst, and in terms that make sense to the poor themselves. Housing, nutrition, health services and employment generation projects are obvious areas of need, along with other basic urban services. The Costa Rican Government already has made important commitments on this level of intervention. Urban functional analysis cannot go very far in suggesting relative priorities among these various sectoral programs, but it can help describe trends in the scale and location of the problems in terms of population and employment growth patterns, and it can point to ways in which urban development patterns are affecting the poor in particular.

#### D. Forces Shaping the Growth of San Jose

Beginning with the country's first official population census in 1864, there has been a steady shift in Costa Rican population toward the periphery, outside of San Jose and beyond the Central Plateau. Some of this represented independent farmers, which Costa Rican historical sources frequently cite in explanation of the country's long tradition of democracy, progressive politics and respect for human rights. Frontiers were also pushed back by more commercialized, large scale agriculture, chiefly in coffee, bananas, cattle and timber, often in foreign holdings, and generally geared to export markets. Coffee is relatively labor intensive, but recent conversion of farm land to cattle raising is sometimes cited as contributing to rural population expulsion and migration to cities, although as yet there has apparently been no careful study of these facts or cause-effect relationships<sup>1/</sup>. Available data does indicate that, despite Costa Rica's historical pride in its independent frontiersmen and farmers, its concentration of landholdings does not differ much from the average in other Latin American countries. As will be shown in a later chapter, this is also true for Costa Rica's distribution of wealth.

Apart from rural expulsion, the exhaustion of the agricultural frontier, and problems of erosion and depletion of land from exploitive agricultural practices, a number of other factors bear on the shift in direction of net population growth toward San José.

<sup>1/</sup>Zumbado and Neuhauser (In Carvajal, ed. 1977) have made a useful study of eight agricultural area cantons, four of them characterized by expulsion, the other four by attraction. It would take further analysis, however, to extrapolate their findings to the country as a whole.

1. The Growth of Jobs in San José. New employment is found particularly in the fast-growing industry, construction, and government service sectors. Some of the new jobs may be transitory, or displacing other jobs. Some may be in relatively capital-intensive industries whose long-run effect will be to reduce the net demand for labor. Nevertheless, while the economy continues its present rate of vigorous growth, San Jose attracts new workers by opening new doors in well-publicized sectors, even if old doors are quietly closing within the same region.

2. Limited Decentralization of Industrial Investment Outside the Capital Region. Industrial location is often considered the key to regional decentralization policies. However, growth pole strategies are not built on factories alone, and regional planners are beginning to question the benefits and feasibility of traditional growth pole policies. This is discussed further below.

3. Climate. The favorable climate that brought the first colonists to the Central Plateau will continue to attract people who are in a position to make a conscious choice about locating their residences and businesses.

4. Markets, Commerce and Communication. Costa Rica is not a large country, and San José is the only large concentrated outlet for goods produced for domestic consumption. The capital is centrally located, and strategically placed in the middle of the East-West axis of smaller cities running from the Caribbean to the Pacific. It is also the center of gravity for three of the five secondary cities with 20-30 thousand population size. San José's international airport has taken over many of the international freight functions previously handled by the port city of Puntarenas. The three maps annexed to this chapter illustrate the central role of San José in regard to the country's network of commerce.

5. Culture. One attraction of San Jose is the range of facilities that only a large city can support. In part, San José has symbolic attributes, such as the National Theater, which have special appeal to a small but important class of people with money and influence, who constitute at the same time an important pool of entrepreneurship for development activities. In part, San José exerts a cultural impact through its European and North American characteristics, which are in turn beamed out to the provinces through public and private media.

6. Government Centralization. Decisions, administrative facilities, political influence, and routes to success have traditionally been located in the capital, reflecting the Spanish colonial heritage of primate cities. In the recent rapid growth of Costa Rican government activities, many functions have been delegated to autonomous

agencies outside the central government, although their headquarters have remained in San José.

7. Specialized Services. The capital is a natural location for one-of-a-kind facilities in areas such as specialized medicine, technical assistance, central bank functions, data processing, and other activities, especially those that draw upon agglomerations of other skills and activities.

Traditional functional analysis of an urban system gives less attention than deserved to questions of climate, culture, and service amenities. Better data is generally available on economic factors and their direct influence is more easily measured. Before discussing further these economic factors working toward concentration in San Jose, it is useful to list briefly some of the countervailing forces that might be operating to make the periphery more attractive.

#### E. Countervailing Forces.

1. Reverse Migration. Most data on population movements show changes from one year or decade to the next, but such figures are based on a netting out of migration moving in both directions. Reverse migration may vary according to individual motivations and personal circumstances, or more general historical forces, but some factors may be within the control of public policy, such as relative growth in employment and unemployment rates, housing and education facilities. As described in Chapter V, the causes of migration still are not well understood, although several studies have been undertaken on the subject using Costa Rican data. Carvajal and Geithman suggest that factors which draw people to towns and cities do not always have the same effect in attracting people from urban to rural areas <sup>2/</sup>. More intensive study of this point deserves high priority in evaluating the effects of urban programs such as housing and employment generation.

2. Enriched Infrastructure of Small Outlying Cities. Fox and Huguot have pointed out that, compared with other Latin American countries, Costa Rica's rural towns have an unusually "urban" character <sup>3/</sup>. Small towns do not serve as large agricultural villages to the extent they do in Mexico or neighboring Nicaragua, where roughly 30 to 70 percent of the male labor force works in the fields. In Costa Rica, towns under 10,000 population designated "urban" have only 14 percent of the economically active population in agriculture.

<sup>2/</sup>Carvajal and Geithman, An Economic Analysis of Migration in Costa Rica, 1975, pp. 118 ff.

<sup>3/</sup>Fox and Huguot, Demographic Trends and Urbanization in Costa Rica, Inter-American Development Bank, 1975

3. Basic Services Provision Outside San Jose. Education and health facilities extend well into the periphery, reflected in high levels of literacy, life expectancy and infant survival. Zumbado and Neuhauser have noted cases of migration flows toward rural cantons with inferior provision of basic services <sup>4/</sup>, so caution is needed in building a policy of population decentralization around the attractive power of investment in service amenities.

Significant gaps between urban and rural services still exist, but many are being closed, as illustrated by the following data on literacy and drinking water facilities.

Table 2. Percentage of Formal Illiteracy in Census Periods\*

Provinces	1892	1927	1950	1963	1973
Costa Rica	71.8	34.2	21.2	14.3	10.9
San José	62.9	29.8	15.6	10.0	7.0
Alajuela	78.4	35.8	23.5	15.2	11.4
Cartago	78.9	40.3	23.4	14.7	11.4
Heredia	68.2	24.5	11.7	8.3	6.0
Guanacaste	78.2	43.5	32.5	20.2	15.8
Puntarenas	79.3	51.1	29.1	23.3	18.8
Limón	63.2	22.9	20.2	18.2	17.8

\*Estimates based on population over 10 years old.

Source: Adapted from census data.

<sup>4/</sup>F. Zumbado and L.B. Neuhauser, "Evolution of Population Distribution in Costa Rica" in Policies of Urban Growth, M. J. Carvajal, ed., 1977

Table 3. Percent of Population Supplied with Drinkable Water

Means of supply:	1967		1969		1972	
	urban	rural	urban	rural	urban	rural
Aqueduct:	100.0	49.6	100.0	55.0	100.0	65.0
Household outlet:	89.8	34.1	92.4	38.5	95.0	56.0

Source: Servicio Nacional de Acueductos y Alcantarillado.

4. Land Use. Instead of trying to promote urban-rural migration, decentralization policy might more usefully try to halt the most obvious forces of rural expulsion. Much has been written about the exhaustion of the agricultural frontier, but the problem is probably not so much in the lack of total space available as in its use. The situation in Costa Rica might be compared to England's Eighteenth Century experience with the enclosure movement that sent waves of uprooted to the city, or the U.S. experience with the dust bowl in the Thirties. It has not yet come to that in Costa Rica, but the potential is there: no agency is yet taking full responsibility for agricultural practice that might lead to such a scenario, and symptoms of those phenomena are visible. Some choices are clear: whether to use land in extensive holdings, using capital intensive methods, and producing for export; or whether to encourage intensive methods using less land and more labor. Presently, the choice is decided by markets, and more deliberate intervention would require a mixture of price supports, technical assistance, redistribution of land rights, provision of credit facilities and other familiar elements in the rural development formula. The interesting thing about Costa Rica is that the formula is being applied, and with reported success, although still on a small scale, under the supervision of ITCO, the Instituto de Tierras y Colonización. The viability of the rural sector is a whole sector analysis in itself, and will not be dwelt upon further except for three brief but important notes. First, it is well recognized in the art of urban spatial analysis that what happens in the city is greatly affected by what happens in the countryside, and the present study should logically be read alongside the Agricultural Sector Assessment recently done by USAID/Costa Rica. Second, the viability of Costa Rican rural life is greatly dependent on making agriculture more productive, because there is no other way to lift rural people above subsistence levels below which a large proportion now live. This is especially important in light of recent AID and Costa Rican concern that programs to help the poor should begin to pay their own way. It is also important in a country like Costa Rica where the

economic system is principally fueled by private capital, which will flow back to San José without improved agricultural productivity. Third, the basic problem is not technology and knowhow, but commitment to support and improve on-going programs. ITCO's experience probably has more to teach than any conventional analysis attempting to describe the issues of rural-urban spatial relationships, because ITCO has gone well beyond investigating and talking. Lessons of ITCO experience might also have something to offer in the design of viable urban communities for poor populations within San José. This applies not only to the recognized possibilities for urban agriculture 5/, but also to methods of coordinating a diversity of support services on behalf of a well-defined territorial unit. Tactics of technical assistance, reinterpretation of existing laws for land reform, seasonal shifts of labor between private business and public or cooperative enterprise, and direct marketing of farm goods between grower and consumer are examples of rural development experience that would apply to an integrated strategy of development for tugurios or other poor communities in the San José area. Present policies are notoriously fragmented, rarely developed with respect to poor communities as functional units, and often geared to social mobility of individuals without regard to the larger, and often negative, effects of individual mobility on the community left behind. This issue is further discussed in the chapter on social analysis and community organization.

#### F. Industrial location as a Factor in the Hegemony of San Jose

Regional decentralization policies traditionally emphasize the role of industrial location in creating growth poles. Urban functional analysis is often undertaken with such policies in mind. Strategies of this sort have been attempted in many countries, and legislation past and pending in Costa Rica is following the conventional path of encouraging industrial parks in outlying regions 6/. There are, however, a number of issues relating to decentralization, especially industrial location, which should be considered by the Government of Costa Rica as it moves forward in developing specific programs.

5/John Friedman, Urbanization, Planning, and National Development, 1976.

6/Estrategia de Desarrollo Regional, OFIPLAN, 1975. p. 50.

First, experience elsewhere has shown that the incentives for industry to locate outside of its natural preference tend to be ineffective, or else highly expensive in terms of the explicit or implicit subsidies involved. This varies, of course, by country and industry, and a certain amount probably depends on the cleverness of planners in packaging a wide range of non-monetary incentives, such as amenities, assured markets and sources of supply, urban facilities, pleasant choice of site, political autonomy, wooing of leadership, and a special regional identity such as might be conferred by the presence of a university or sports center, noteworthy architecture (such as Brasilia offers), or special privileges (for example free port facilities). This takes place only when planning is combined with extraordinary vision, leadership, and special regional circumstances.

The second problem with growth poles is their vague purpose and their possible ineffectiveness in serving the poor. Growth poles are often prescribed to relieve the central city of "urban ills" that, on close look, are mainly problems for the upper and middle classes. Traffic congestion hurts those with cars and those who put a high value on their personal time lost in transit delay; and migration disturbs the middle class which would rather have poverty hidden away in the country, where the life of "simple needs" and "living off the land" can be rationalized as an accepted norm. Special efforts would need to be made to gear decentralization towards the problems of the poor.

Analyses of the incidence of benefits flowing from decentralized industrial parks are scarce, but indications are that jobs and profits do not trickle down very far to the lower classes. Profits are quickly repatriated to the capital region or abroad; new factories located in the periphery tend to use modern, capital intensive methods, requiring higher skill levels drawn from better-off population groups. Tracing out the long run consequences of growth pole investments is difficult, due not only to the many factors involved and the extended time frame, but also to the diversity of theoretical interpretations of the data used to trace linkages. Earlier theories depicting growth poles as engines of regional development are confronted with more recent theories that construe them as mere extensions of traditional centralized firms whose major role has been to exploit the rural sector for benefit of the rural rich, urban parent companies, multinational interests, and foreign markets. Arguments on each side have been thrashed out in numerous publications and international planning conferences without consensus. Whatever the substantive merits of the pessimistic view, it does tend to emphasize issues of the incidence of costs and benefits, in a way that earlier, more optimistic writings did not. For this reason, recent development in the field of growth pole theory should be considered, especially with regard to means of focusing on the poor 7/.

7/See, for example, proceedings of the Conference on growth poles strategies sponsored by the U.N. Centre for Regional Development in Nagoya, Japan, November 1975.

The third and final problem of using industrial location as a catalyst for growth in periphery regions is that industrialization is not necessarily the best investment. Forward and backward economic linkages of industry in isolated settings tend to be limited, given reduced markets for factory-produced goods on the one hand, and undeveloped sources of supply on the other. It is generally true that multiplier and accelerator effects of new investment are small within narrow geographic units. Zumbado and Neuhauser <sup>8/</sup> state that industry in Costa Rica is heavily dependent on materials and components that are imported, and that inter-industry linkages are fairly weak. Outside of San José considerable investment has gone into agro-industry; but there is also a substantial portion of agro-industry located within San José, including more than 40 percent of food, beverage and tobacco establishments.

Industrial employment in Costa Rica has grown steadily, but relatively slowly, surpassed by every other sector except agriculture and energy over the period 1950 - 1973. (See Table 4). Industry offered employment to 11.0 percent of the active labor force in 1950, 11.5 percent in 1963 and 11.9 percent in 1973. As of 1973, the faster-growing service sector was offering nearly twice as many jobs as industry (132,000 vs. 69,000), with commerce (67,000) also overtaking industry, and transportation (24,000) and construction (39,000) also growing at a faster pace. The potential importance of the construction sector should be seriously considered, especially because of its strong forward and backward linkages and the tradition of lower income group employment, judging from average salaries (See Table 5). Also, the relatively high cost of labor in Costa Rica, coupled with the increasing capital intensity of industry, mean that special efforts will need to be made to generate new employment opportunities for the poor in the industrial sector. To the extent that the industrial sector cannot generate such employment, the construction sector may offer new opportunities.

#### G. Trends in Industrial Location

More than half of Costa Rica's industrial employment is located in San José Province <sup>9/</sup>. There is a rising number and proportion of industries

<sup>8/</sup>Op. cit., p. 97.

<sup>9/</sup>A small portion of this employment is probably located outside the Metropolitan Area, in other parts of the San José Province, but this break-down of data is not available. The figure for the Agglomeration as a whole is probably in the range of 80 to 90 percent. Beaux (para. 1.23) arrives at the figure of 89 percent by adding the data for San José province to industrial employment figures for the other major

Table 4. Economically Active Population by Economic Sector, 1950-1973.

Economic Sector	Economically Active Population								
	Numbers			Percentage			Rate of increase		
	1950	1963	1973	1950	1963	1973	1950 1963	1963 1973	1950 1973
Total	271,984	395,273	585,313	100.0	100.0	100.0	2.9	4.0	3.4
Farming	148,837	194,309	213,226	54.7	49.1	36.4	2.1	0.9	1.6
Mining	754	1,127	1,557	0.3	0.3	0.3	3.1	3.3	3.2
Industry	29,870	45,332	69,917	11.0	11.5	11.9	3.3	4.4	3.8
Commerce	21,412	38,660	67,675	7.9	9.8	11.6	4.6	5.8	5.1
Transportation	9,465	14,738	24,964	3.5	3.7	4.3	3.5	5.4	4.3
Construction	11,625	23,304	39,078	4.2	5.9	6.7	5.5	5.3	5.4
Services	40,166	68,080	132,646	14.8	17.2	22.7	4.1	6.9	5.3
Energy	1,607	4,215	5,531	0.6	1.1	0.9	7.7	2.8	5.5
Other	8,248	5,508	30,719	3.0	1.4	5.2	-3.1	18.8	5.9

Source: Carvajal, ed. 1977, p. 102.

Table 5. Average Salary and Percentage Distribution of Workers Salaries Paid, by Economic Sector, 1973.

Economic Sector	Average Salary (colones per month)	Less than 200 colones	200	400	600	800	1,000	1,200	1,400	1,600
			colones							
Farming	394.8	20.9	46.8	16.7	8.3	3.7	1.5	0.7	0.4	1.0
Mining	562.4	11.7	31.1	32.6	12.1	4.9	1.8	1.1	0.7	4.0
Industry	666.5	9.4	25.5	25.6	13.3	7.7	5.0	3.3	2.5	7.7
Commerce	716.8	9.9	25.6	28.6	12.4	6.6	4.2	2.5	2.1	8.1
Transportation	812.1	10.2	13.2	19.3	19.7	10.6	8.7	5.9	3.6	8.8
Construction	583.6	15.3	24.5	26.9	15.1	7.4	3.5	2.1	1.4	3.8
Financial and Insurance Establishment	1,598.1	4.7	8.8	13.4	11.4	9.8	8.8	5.8	5.2	32.1
Community, Social, and Personal Services	1,094.0	3.7	7.8	16.4	18.2	12.8	11.2	8.6	5.1	16.2

Source: Carvajal, ed. 1977, p. 103.

which have received government incentives to decentralize and plan to establish themselves outside San José (See Table 6 below). It is not clear, however, whether they are locating outside the Agglomeration, outside the Metropolitan Area, or simply outside of the San José Central City.

Table 6. Government Incentives for Industrial Decentralization

<u>Year</u>	<u>Number of Contracts approved</u>	<u>Percent of contracts approved according to location</u>	
		<u>San José</u>	<u>Outside San José</u>
1972	101	83	17
1973	78	71	29
1974	106	80	20
1975	139	60	40
1976 (up to July)	48	52	48

Source: Beaux, 1977, para. 1.25.

## II. Policy Recommendations

It is not likely that urban poverty in San José can be alleviated by establishing industrial growth poles in the country's periphery. San Jose fills the traditional role of a Latin American primate city. The country's earlier history of population dispersion toward the periphery has reversed itself in recent decades, and the causes of this

Cont.

9/ cities in the Agglomeration, namely Alajuela, Cartago, and Heredia. Each of these three cities is the capital of a province which fans out to the country's borders from the administrative headquarter clustered in the urban nucleus. For this reason, it is extremely misleading to use provincial-level data to describe the spatial distribution of activities in Costa Rica, since four of the provinces have their economic and political centers of gravity within the Urban Agglomeration. Only three of the seven provinces --Puntareans, Limón, and Guanacaste-- have their capitals outside the Agglomeration.

trend make it virtually unalterable. The century-long expansion into the agricultural frontier has given way to the inexorable forces of modernization characterized by urban-industrial development. More properly speaking, the picture is one of urban development on the triple base of service-commerce-industry, with a parallel leveling off of agricultural employment, whose growth rate fell from 2.1 percent in 1950-63 to 0.9 percent in 1963-73 <sup>10/</sup>. Present urban population, however, is shifting from the San José central city toward the outskirts of the Metropolitan Area and the belt of secondary cities making up the Agglomeration. Efforts to refocus development energies into the farther provinces may well benefit those areas, but probably at high cost. More importantly for the purposes of this Assessment, it is unlikely that such policies would relieve San José of the more obvious problems of urban growth and suburbanization, unless they were accompanied by plans that embodied exceptional vision, leadership, and political intervention on a heroic scale. Even if planners could count on these heroic efforts, it is probably better to focus on poverty where it exists, rather than attempting the dubious task of intervention through longterm strategies to shift the spatial distribution of urban functions.

Sophisticated theories exist describing optimal spatial distribution of urban functions in ways to better serve the interests of the poor, but these require an ideological perspective on urban problems and a commitment to large scale intervention on many fronts that are impractical in the present Costa Rican context, and beyond the mandate of this urban sector assessment. Until planners politicians and administrators apply these principles and unless there is sufficient national resolve and resources to sustain such interventions, it is fruitless to deal with poverty in San José through intricate manipulation of the national system of urban functions. It makes more sense to go straight to the poor communities themselves. This means that decentralization policies must be directed toward solving the problems of the poor in those areas, not toward shifting population growth patterns. The rationale for decentralization would not be to alter urban functions, but to provide new services and opportunities for the rural poor.

In formulating programs, certain points need to be kept in mind. First, urban poverty programs have to rely on parallel efforts to improve living conditions in rural areas. Second, migrants often are better educated and motivated than sedentary people; therefore, migration to San José may represent not so much a burden to the Metropolitan Area as a stripping away of skills and initiative from the areas left behind.

<sup>10/</sup>Carvajal, p. 103.

Third, strategies for community development in urban and rural areas may have much in common, and urban policies should not be developed without careful scrutiny of experience gained from programs (like ITCO) which have put together a diversity of program components in ways which could serve as models for tugurio development strategies in San José. Fourth, it is necessary to determine clearly the goals of poverty intervention efforts. Urban functional analysis often consigns to regional growth poles the role of lightning rod for the ills of the central Agglomeration. There is not much evidence that such policies are effective, and even less that they help the poor. The energies spent in shifting economic infrastructure from one part of the country where it naturally gravitates to other parts where it is loath to go might better be invested in direct services to poor communities wherever they are found. The basic needs of poor communities are very evident: housing, employment, education, health-provision, nutrition, and a voice in their own destiny.

If the goal is to provide the poor with jobs and education and houses, the unique contribution of an urban assessment is to point out the need for these to be mutually reinforcing efforts. Housing construction policies should be designed specifically to provide jobs for the poor. If sites and services make more economic sense than houses, but are aesthetically unappealing, public works projects can be generated to remedy this -- a park here, a cooperative garden for truck farming there, rows of trees, sports facilities, and civic facilities-- again with maximum use of labor supplied by local unemployed. There are precedents for such an approach, and these speak louder -- or should speak louder -- than piecemeal projects and grand visions of the Central City Beautiful, or systems of growth poles that leave poverty to be handled elsewhere.

In sum, to the extent that there are insufficient opportunities in the higher productivity industrial sector, priority should be given to self-improvement projects, hiring the poor to provide infrastructure and services that other poor people can best afford. This diverges from the more natural line of urban poverty analysis, which conceives of solutions on a grand scale, through costly but usually futile efforts to reshape urban functions. It also diverges from the usual strategy of hiring people who are relatively well off to deliver basic needs to the poor. It means that planners must look beyond industrial location as the catalyst for development of poor communities, whether in the rural periphery or the city slums. Opportunities in the construction sector must also be maximized, partially because this sector generally can (1) absorb unskilled labor with more ease (given the proper design of projects); (2) be put to work in physical improvement projects that can overcome some of the demoralizing aesthetic failings of tugurios; and (3) build up strong forward and backward linkages. Service occupations should also be maximized: they pay better than construction; they presently employ twice the number of workers found in industry; they are continuing to grow quickly; and the majority of service workers (63 percent in 1973) are in the public sector which is potentially more responsive to national policy than private industry 11/.

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11/ Carvajal, ed. 1977, p. 105.

#### Chapter IV. Appendix. Possible Alternative Scope of Urban Functional Analysis.

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An alternative way of approaching urban functional analysis was mentioned earlier in this chapter. That approach considers the broad historical processes determining urban forms and functions, and addresses possibilities of major political intervention in physical and social design of cities.

In this alternative approach, the analytical base is broader --more ideologically explicit, more liberal in applying the experience of one country to illuminate problems and solutions in another, and more focused on identifying specific mechanisms by which macro-social processes (markets, economic institutions, national policy) affect micro-communities (neighborhoods, specific target groups), both intentionally and unintentionally. There is also more concern with empirical study of historical departures from "normal" past experience, and less descriptive emphasis on "typical" experience or "most probable" outcomes, or fine-tuning the measurement of well-known problems. Strategic implications of this approach are also broader, including strong controls on land use and land prices; imaginative urban design; encouragement of new social institutions (especially in strengthening territorial communities against encroachment from outside economic and political pressures); selective allocation of public resources with particular target groups in mind (for example the poor, as opposed to an undifferentiated general public); and re-definition of "sectoral" categories, with more focus on rural life, civic life, basic needs, and community-based economic institutions, as opposed to traditional "service delivery" sectors like education, health, and transportation.

Some writings in this tradition are frankly utopian, in their incongruence with the social, political and economic context of forces which normally shape the city and which policy makers usually accept as givens (Writers in this "heroic" tradition include Doxiades, Bellamy, Corbusier, Paul Goodman, and others).

Some proposals, however, are based on thorough historical analysis of particular societies, and draw upon historically realized possibilities of breaking away from the "natural" direction of social forces, in search of genuine options. Analysts in this tradition include Lewis Mumford, Baron Haussman, and Manuel Castels. The writings of Ebenezer Howard and, more recently, John Friedmann, are of special interest in the Costa Rican context because they address the relationship between urban and rural functions in societies at the early industrial stage. They focus on the particular situation of the urban poor, and they are concerned with the practicality of strategic interventions.

Strategies flowing from this broader "historical" tradition of urban functional analysis are seen as mutually reinforcing in a way that cannot easily be described in a brief commentary. The following strategy elements, however, can serve as illustrations of the approach. They are typical; but, of course, the elements will vary between circumstances of application, relative strength of goals being sought, and the perspective chosen by particular analysts.

- Land use. Policies here could range from traditional master plans and zoning ordinances to stronger controls over land speculation and prices (as now contemplated in Costa Rica) all the way to urban land reform (analogous to rural land reform) and detailed design of civic infrastructure (down to provision of cafes and sports facilities, art graphics, and gardening projects as part of larger public works).
- Functional integration. Integrated zoning would aim at achieving closer proximity between residential, commercial, industrial, and service activities, contrary to the normal thrust of suburbanization which separates these functions. Detailed attention would be given to social regulations (legally enforced, encouraged with incentives, or developed through greater sense of community) governing such things as noise, pollution, vandalism, thoughtless urban design, environmental neglect, and land speculation --all factors that presently make such an integration of diverse functions unfeasible.
- Strengthening of community. This refers primarily to community identity, self-reliance, authority for initiative, and budgetary powers, but local circumstances will also implicate other factors. Stronger sense of neighborhood integrity (or larger territorial units) can be enhanced by use (or enhancement) of physical boundaries, public events, integrated zoning (as described above), and organization cohesion. Analysis along historical, sociological, and functional-economic lines suggests some basic advantages of territorial integrity, especially in supporting the capacity of communities to intervene directly in urban problems rather than depending on externally provided services. Much depends on making individuals personally recognizable in a community. For example, crime often decreases when anonymity is no longer possible; welfare provisions can be taken on by local initiatives (volunteer fire organizations and unemployment fund reserves). Local support for quasi-public enterprise (such as cooperatives and maintenance of public facilities) can be strengthened if such efforts are locally initiated and if jobs and benefits accrue to the locality. In addition, a community with a "sense of self" can undertake initiatives that short-cut traditional reliance on external provision of essential goods and services. For example, well-integrated poor urban neighborhoods in some cities of Latin America

have established agreements with rural communities for direct food purchases (eliminating layers of intermediaries can cut food prices by more than half), with parallel arrangements for surplus urban labor to work on farms in periods of peak demand. (The latter arrangement is already established in Costa Rica for coffee harvests).

Some analysts, including Friedmann and Howard, emphasize the spatial (as well as social) integration of agricultural and urban functions, literally calling for farms in cities and factories in fields. Urban farming is being seriously contemplated in some cities of low to medium density (Los Angeles has already taken steps in this direction). The rationale of "eliminating the middleman" in the food sector is of special significance in Costa Rica, where few foods need to be imported (given the favorable climate) and food costs make up a large proportion of the market basket used to describe the poverty line in this country.

Considering the broad historical approach to urban functional analysis as a whole, there are three things which distinguish it from the more familiar quantitative, "problem-focused" approach used in the rest of this sector analysis.

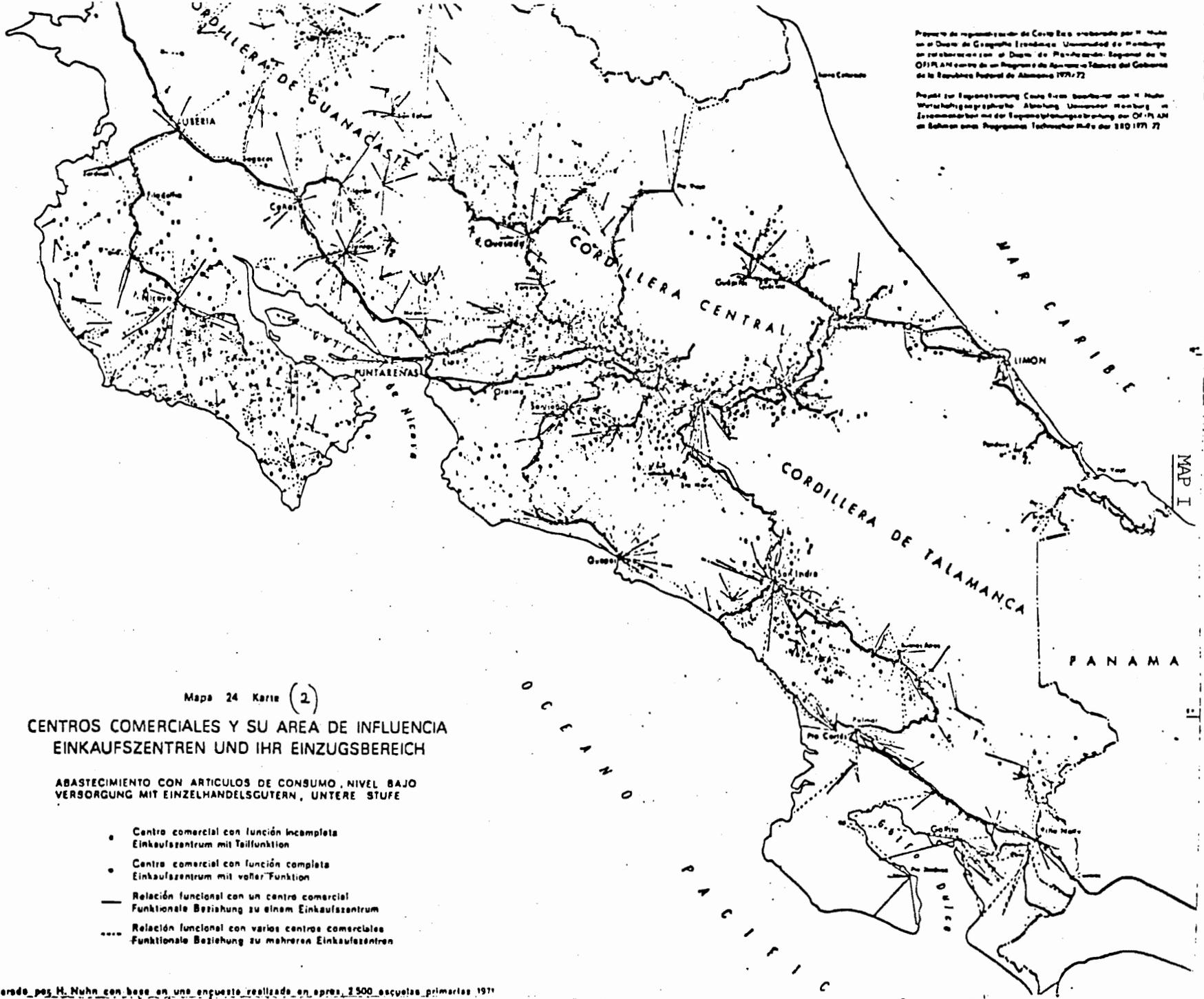
- Study of social relationships is the point of departure rather than activities in space, though spatial relationships are considered crucial. Specifically, analysis extends to micro, as well as macro-level processes.
- Major attention is given to historical cases of departures from the norm, rather than purely descriptive analysis of past experience, or search for internationally typical patterns, or detailed calculations of the scope of problems at any given moment in a particular place. Less emphasis is put on measuring gaps, and more on identifying mechanisms that create or narrow the gaps.
- Special attention is given to the mutual reinforcement of presently existing but isolated efforts toward community solidarity found in almost any progressive country. This includes self-help programs; integration of poor people in the process of re-building their own environment; and control of markets forces that lead to separation of rich from poor, agricultural activities from urban functions, home from work and recreations, and finally, the separation of economic considerations from social, aesthetic and political ones in the design of urban infrastructure.

Costa Rica faces the same problems as any other country in applying these lines of thought to the task of urban functional analysis. In some respects, the prospects here are better than for most other countries. The approach requires a broad political imagination, a clearly articulated concept of social justice, a willingness to intervene in economic and social structure (at comparable economic and social cost), the power to inspire public support for long-range objectives, and flexibility in public agencies to respond to macro-level demands for coordination on the one hand, and micro-level (community and individual) demands for sensitivity to local needs and wants on the other. In many of these respects, Costa Rica appears well advanced, by any standard.

There appears, then, at least an option to consider urban functional analysis on this level. The design of specific policies cannot of course be foreseen until such an analysis is carried out as a dialogue, in concert with a uniquely Costa Rican vision of urban functions along historical lines that depart from the present direction of social forces, and go beyond the scope of interventions contemplated in the rest of this study.

Proyecto de regionalización de Costa Rica, elaborado por H. Nuhn en el Departamento de Geografía, Universidad de Hamburgo en colaboración con el Departamento de Planeación, Seguridad de la OPIA, AMI en el marco de un Programa de Apoyo a la Educación del Gobierno de la República Federal de Alemania 1971/72

Projekt zur Regionalisierung Costa Ricans bearbeitet von H. Nuhn Wirtschaftswissenschaftliche Abteilung, Universität Hamburg in Zusammenarbeit mit der Entwicklungsplanung der OPIA, AMI im Rahmen eines Programms Technische Hilfe der BRD 1971/72



Mapa 24 Karte (2)

**CENTROS COMERCIALES Y SU AREA DE INFLUENCIA  
EINKAUFSZENTREN UND IHR EINZUGSBEREICH**

ABASTECIMIENTO CON ARTICULOS DE CONSUMO, NIVEL BAJO  
VERSORGUNG MIT EINZELHANDELSGÜTERN, UNTERE STUFE

- Centro comercial con función incompleta  
Einkaufszentrum mit Teilfunktion
- Centro comercial con función completa  
Einkaufszentrum mit voller Funktion
- Relación funcional con un centro comercial  
Funktionale Beziehung zu einem Einkaufszentrum
- Relación funcional con varios centros comerciales  
Funktionale Beziehung zu mehreren Einkaufszentren

elaborado por H. Nuhn con base en una encuesta realizada en agosto, 2 500 escuelas primarias 1971

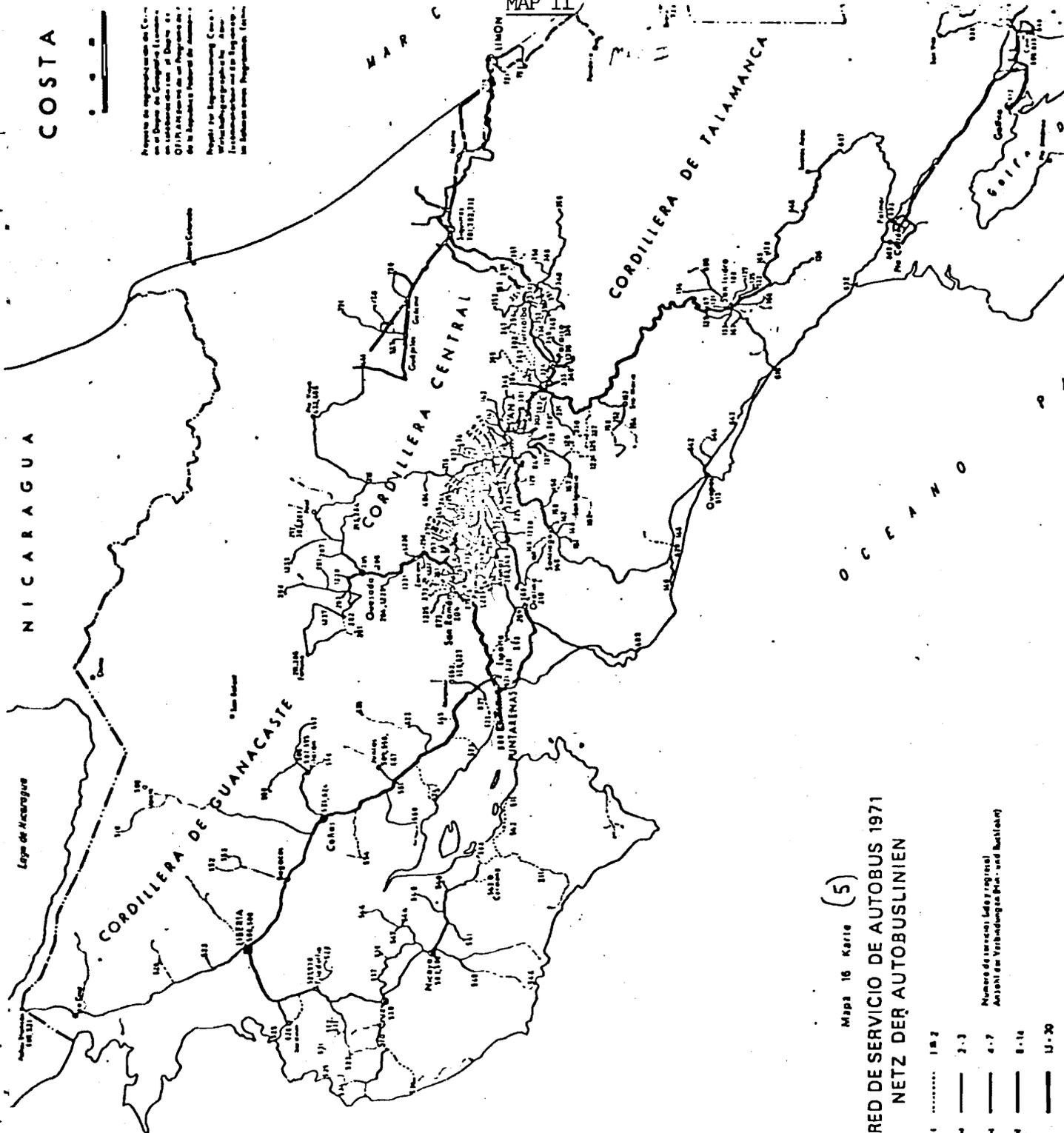
COSTA

Proyecto de implementación de Costa Rica en el Departamento de Transporte y Comunicaciones de la Organización de Estados Americanos (OEA) en el marco de un Programa de la Organización Interamericana de Transporte y Comunicaciones (OITC) financiado por el Banco Interamericano de Desarrollo (BID) y el Gobierno de Costa Rica.

El presente mapa muestra el sistema de autobuses que se está implementando en el país, con sus rutas y frecuencias de servicio.

Las líneas de autobuses se muestran con los siguientes símbolos:

- 1-2: Línea de autobuses de alta frecuencia.
- 3-3: Línea de autobuses de frecuencia intermedia.
- 4-7: Línea de autobuses de baja frecuencia.
- 8-14: Línea de autobuses de muy baja frecuencia.
- 15-20: Línea de autobuses de muy baja frecuencia.

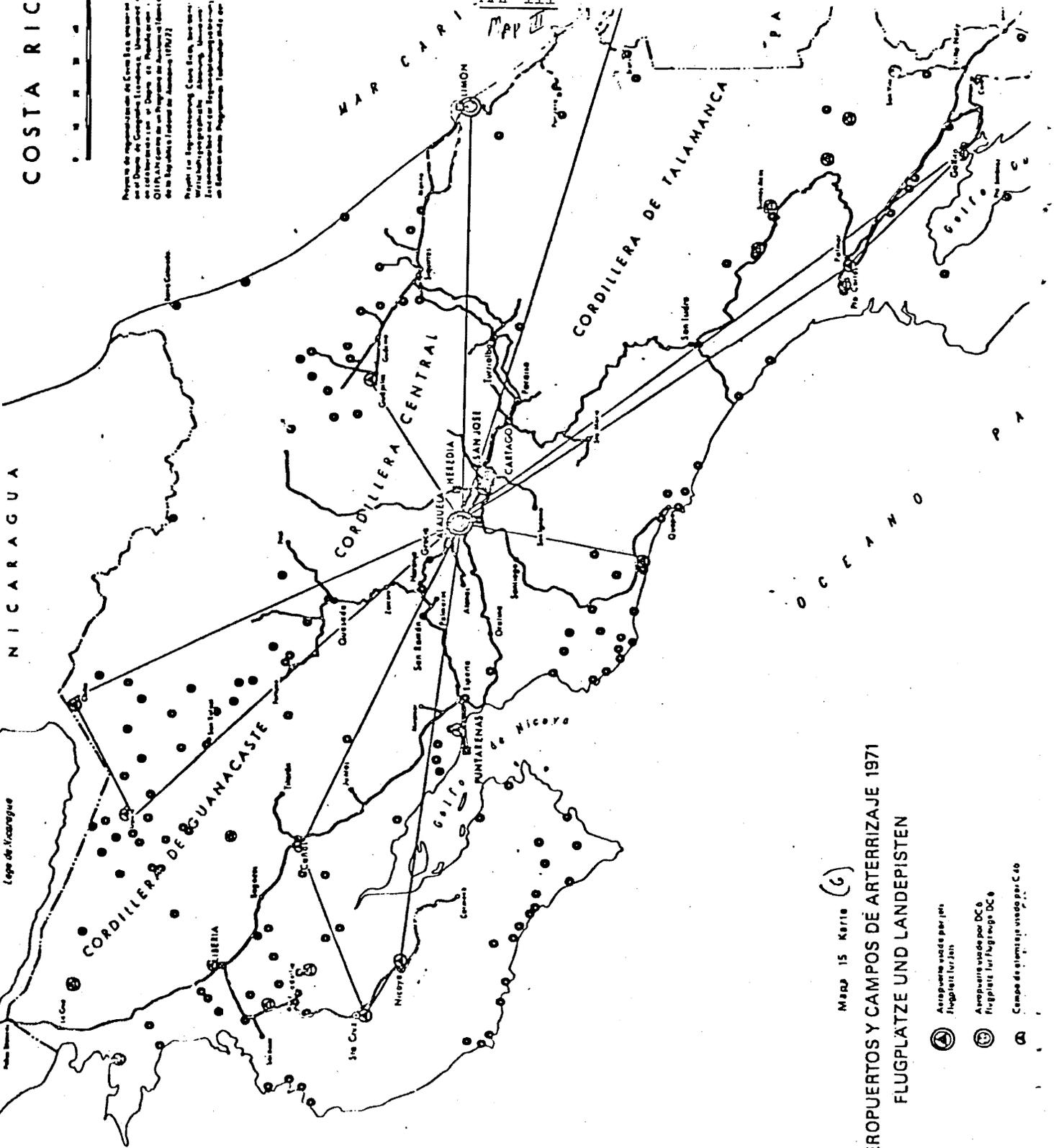


Mapa 16 Karte (5)  
 RED DE SERVICIO DE AUTOBUS 1971  
 NETZ DER AUTOBUSLINIEN

- 1-2
  - 3-3
  - 4-7
  - 8-14
  - 15-20
- Numero de servicios por hora y frecuencia  
 Anzahl der Verbindungen (Stund- und Minuten)

COSTA RIC

Proyecto de Implementación de Compañía de Aviación  
 de la Dirección de Compañía Intercontinental, Universidad  
 de Costa Rica, para un Programa de Aviación (1971)  
 Proyecto de Implementación de Compañía de Aviación  
 de la Dirección de Compañía Intercontinental, Universidad  
 de Costa Rica, para un Programa de Aviación (1971)



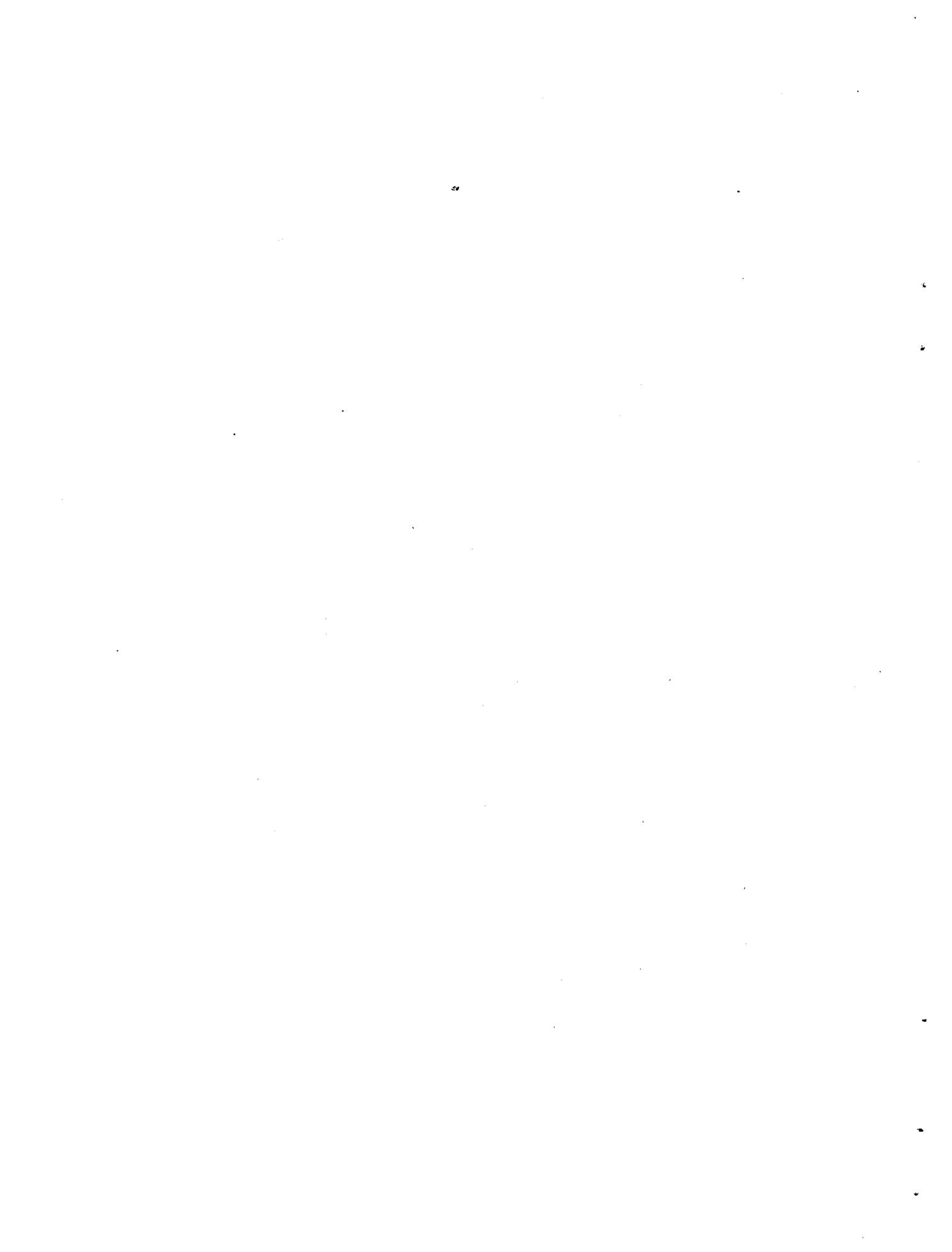
Map 15 Series (6)  
 AEROPUERTOS Y CAMPOS DE ARTERRIZAJE 1971  
 FLUGPLATZE UND LANDEPISTEN

- Ⓐ Aeropuerto usado por jet  
Flugplatz für Jet
- Ⓑ Aeropuerto usado por DC 6  
Flugplatz für Flugzeug DC 6
- Ⓒ Campo de aterrizaje usado por C 60

Chapter V. MIGRATION

CONTENTS

	<u>Pages</u>
A. Major Findings and Policy Conclusions	38
B. Introduction	38
C. Rates of Migration	39
1. Evidence	39
D. Migration and Urban Poverty	41
1. Urban Distribution	41
2. Income Distribution	41
3. Average Family Size, Dependency Rate, and Number of Children Less Than 15	42
4. Age of Head of Household	42
5. Formal Education Attainments	43
6. Unemployment Rates	43
7. Conclusions From Census Tabulations	44
E. Summary and Recommendations Stimulated by These Findings on Migration to San José	44
Appendix -	
Internal Migration and Urban Agglomeration	46
Tables	47 - 53



## Chapter V. MIGRATION

### A. Major Findings and Policy Conclusions

- Migration to the San José area has been increasing in absolute numbers. Migration to the outer boundaries of the San José Urban Agglomeration has been twice as high as to the Metropolitan Area.
- The increase to the San José area does not represent an acceleration in the rate of migration, which has been constant over the past two intercensal periods. Inflow into Tugurio neighborhoods in the Metropolitan Area could in fact be declining. (As Chapter VII indicates, migration rates vary considerably between recognizably different categories of tugurios.)
- None of the evidence examined suggests significant disparities between migrant and non-migrant groups, with respect to socio-economic conditions.
- Special policies oriented toward easing of the specific problems of the migrant population are not of first priority, given the equivalent incidence of poverty and bad housing conditions among other members of the poor in San José as a whole.

### B. Introduction

The process of urbanization in Costa Rica has received an impetus during the postwar period. Our interest centers on the San José Metropolitan Area, the situation of the poor who live there, the particular zones ("tugurios") in which physical deterioration is most evident, and the role of migration.

Popular impressions, reflected in the media and elsewhere, suggest that (1) migrants form a particularly disadvantaged group, with lower incomes and higher unemployment rates than non-migrants and (2) the problems of urbanization associated with the growth in number and size of tugurios can be traced to the size and rate of the migratory influx.

However, there are no readily available data to verify that either of these impressions is correct for the San José Metropolitan Area. For the larger Urban Agglomeration, some observations are

presented in the Appendix to this chapter. Readers should bear in mind that the unit of analysis treated in the body of the chapter is the "Metropolitan Area" and not the "Urban Agglomeration."

### C. Rates of Migration

A net migration rate is calculated by subtracting, for a given period of time, the number of emigrants from a region from the number of immigrants to that region, and dividing the net movement by the size of mid-period population. For example, in a given year, if 2,000 persons joined and 1,000 persons left a population of 100,000, the net rate of migration would be one percent for that year.

Visual impressions suggest that the number and size of slum neighborhoods have increased. From this generality, quite plausible interpretations and conclusions have been made, such as:

- the rate of migration itself is increasing;
- the Metropolitan Area is becoming relatively more attractive as a target for migration; and
- the migrants who arrive "must be" concentrated in these growing foci of deterioration.

1. Evidence. The evidence on the matter, however, does not reinforce these popular beliefs. The rate of population growth attributable to internal migration to San José was constant between the two intercensal periods 1950-1963 and 1963-1973, and has fallen, at least in the tugurio neighborhoods, since that time.

Intercensal net migration to San José has been measured by Juan Chackiel in his seminar paper, "Metropolización y cambio demográfico en Costa Rica." 1/ This work discusses population growth for San José and disaggregates it between so-called natural increase (births minus deaths) and net internal migration, all stated in rates per thousand people:

	<u>1950-1963</u>	<u>1963-1973</u>
Birth rate	43	32
Death rate	<u>9</u>	<u>6</u>
Natural increase	34	26

1/ Conferencia dictada en el Seminario sobre Proceso de Metropolización en Costa Rica y América Latina. Escuela de Historia y Geografía, Universidad de Costa Rica, 16 de agosto al 17 de setiembre de 1976.

	<u>1950-1963</u>	<u>1963-1973</u>
Natural increase	34	26
Net migration rate	<u>13</u>	<u>13</u>
Rate of population increase	47	39

The table recites the familiar facts of rapid decline in the birth rate, a simultaneous fall in the death rate by considerably smaller amounts, and a rate of net migration that has been constant.

Thus in the most recent intercensal period, migration accounted for one-third of total population growth in San José. In the previous period, the same rate of migration had accounted only for about 28 percent of population growth. In terms of absolute numbers, of course, a constant rate of urban migration implies ever-increasing numbers, but this falls short of the claims of "acceleration," which is defined by an increase in the rate. Such an increase, as the table shows, was not observed.

It may nevertheless be instructive to look at rates of net internal migration in terms of the absolute numbers of persons involved. If the base population were about 194,000 in 1950, then a 1.3 percent rate of increase attributable to net migration would involve 2,500 migrants. At a later date, say 1973, when the base population was about 500,000, a 1.3 percent rate implies net immigration amounting to 6,500 (net) migrants per year. Greater numbers of migrants create new and larger demands for housing and social infrastructure. At the same time, since they are concentrated in the young-adult ages, they bring productive capabilities with them that add to the city's human resources.

The 1977 sample survey of adults in the barrios marginales provides additional information on the changing rate of migration. Migrant adults were asked when they had arrived. Their responses are summarized as follows:

<u>Date of Arrival</u>	<u>Proportion of migrant adults</u>
1913-1969	54.2
1970-1973	26.3
1973-1977	15.8
No response	<u>3.7</u>
Total:	100.0%

In comparing two periods (1970-1973 and 1973-1977) of roughly equal length before and after the census date of 1973, the survey shows a fall in the rate of gross immigration. "Gross", because we cannot tell from the survey alone how many people left the San José area during the periods in question. Therefore, only inflows have been registered. The figures, while not strictly comparable with the rates of net migration cited in the Chackiel study, nevertheless reinforce the notion of an absence of acceleration in the rates of urban migration to the San José Metropolitan Area.

#### D. Migration and Urban Poverty

Tabulations made from the 1973 census show relationships between various factors associated with urban migration to San José and the situations of the migrants in the two types of neighborhoods of the city (poor and non-poor, or tugurios and non-tugurios). In this report migrants are defined as those persons who lived outside San José five years before the census.

1. Urban Distribution. The basic question, as noted in the introduction to this section, is whether migrants are better or worse off than urban natives.

As Table 1 shows, migrants form 21 percent of the tugurio population and only 18 percent outside the tugurios. These figures show that: (1) The proportion of migrants is not as high as some alarmist commentaries might lead one to believe: only about one-fifth of San José population entered the city during the last five years. While 21 and 18 percent are certainly not negligible, they are well within the bounds of urban migration found in other Latin American capitals. (2) The proportion of migrants in tugurios and outside tugurios is similar. While migrants do comprise, according to the census, three percentage points more of the population in deteriorated neighborhoods than outside them, the difference is not great. Once again, the popular impression that tugurios consist mainly of recent migrants is clearly contradicted. Migrants are hardly more numerous there than they are in other parts of the city.

2. Income Distribution. Are recent migrants relatively poorer than non-migrants? Again, the answer appears to be, only slightly poorer. While 21 percent of tugurio families are migrants, 23 percent of the families in the lowest income class in tugurios are migrants. Virtually the same relationship exists outside the tugurios. The figures, in short, are so nearly equal that the common impression that migrants from other places form a disproportionately underprivileged class is directly contradicted. Both with respect to neighborhood and with respect to income, the situation of migrants is nearly indistinguishable from that of non-migrants.

3. Average Family Size, Dependency Rate and Number of Children Less Than 15. Larger families, more dependents, and, in particular, greater number of young children clearly imply barriers to economic betterment. Do migrants, in tugurios and outside of them, labor under these difficulties?

Tables 2, 3, and 4 provide some insight into the answers to these questions. Migrants at low income levels in tugurios do have larger families than non-migrants. In fact, persons at all income levels living in tugurios have larger family units than those living in the better neighborhoods. This is partially because extended families are an important means of assuring continuous income for the family members, although not all of them may be simultaneously earning incomes. Of course, family support systems exist in upper-income families as well, but these families can enjoy the luxury of living in separate houses, rather than in a single residence.

The dependency rate measures the numbers of persons in the so-called dependent ages relative to those in the ages where labor force participation is more customary. In particular, the rate is defined as follows:

$$\text{dependency rate} = \frac{\text{N}^{\circ} \text{ of persons under 15 and above 64}}{\text{N}^{\circ} \text{ of persons between 15 and 64}}$$

The definition overlooks the fact that not everyone under 15 years of age nor over 64 is a "dependent", nor do all those persons between 15 and 64 work in gainful occupations. The dependency rate is, therefore, best interpreted as a strictly demographic variable relating to age composition of the population, rather than having more profound meanings.

As shown in Table 3, low-income families have more dependents than higher income families. Tugurio families have higher dependency ratios, reinforcing the family size observations about non-tugurio families. Also, low-income migrants in tugurios have slightly higher ratios than non-migrants. Note, however, that for middle income groups (those with per capita annual incomes greater than £2,000 in 1973), the dependency ratios are nearly equal for migrant and non-migrant families.

Finally, Table 4 shows the number of younger children living in each family. Not surprisingly, the lower the income level, the larger the number of younger children -- thus reinforcing earlier conclusions relating to family size and dependency ratios.

4. Age of Head of Household. The age of the household head

has a "human capital" interpretation. Assume that, in similarly defined groups, persons entered the labor force at the same age. The older person would have worked longer and, as the human capitalists say, would represent a longer period in which investments in on-the-job training had occurred. Therefore, within limits, the older the head of household, the more human capital he or she embodies, and the greater his or her productivity.

These presumptions are completely consistent with the observations reported in Table 5. Migrants are younger than non-migrants, reflecting among other things the well known age selectivity of migration. Family heads living in tugurios are also younger than those living elsewhere, among both migrants and non-migrants. At least part of tugurio poverty, therefore, can be explained by age distributional phenomena.

5. Formal Educational Attainments. By far the most puzzling results from the census tabulations are contained in the observations of educational attainments. Normally, educational attainment is considered as an embodiment of human capital. Persons with a greater number of years of education, according to this interpretation, would be the bearers of more human capital, would therefore, be more productive, and would earn higher incomes than persons who had spent less time in schools.

Observations from the 1973 census seem to contradict this "norm." It was earlier established that non-migrants have slightly higher incomes than migrants. But migrants have an index of "escolaridad" <sup>2/</sup> more than double that of non-migrants. In fact, the contrast between the two groups, given their great similarity in other aspects, raises some question about the reliability of these figures. Also, Table 6 shows that the lower the income of the non-migrants, the higher their educational level. This is contrary to all expectations relating to education and income levels -- and as such leads to further questions on the reliability of the education data.

6. Unemployment Rates. Poor people have higher unemployment rates than richer ones. However, in general, poor people in tugurios do not have higher unemployment rates than poor people who live in more comfortable neighborhoods, nor do we find migrants uniquely disadvantaged in the tugurios. Their unemployment rates in these deteriorated zones are nearly equal to those of non-migrants.

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<sup>2/</sup> Index of "escolaridad" defined as the number of completed years of schooling divided by 11, the number of years in the Costa Rican primary and secondary educational system.

Once again, the popular impressions of the severe and special disadvantages under which the migrants are working were simply contradicted by these census tabulations.

7. Conclusions From Census Tabulations. While the census tabulations may contradict some conventional wisdom about where migrants live, what they earn, and how unemployed they are, these findings are not at variance with studies of urban migration done in other Latin American capitals. The general consciousness of the growth of tugurios is widespread, owing partly to their ugliness. The notion of the presence in the city of urban migrants is also common. To connect the two causally, however, is to confuse correlation with causation. The increase in the numbers of migrants in San José, while correlated with an increase in the number and size of tugurios has been correlated as well with many other time-related phenomena: growth of the urban center, of cinemas and fast-food outlets, of diesel taxicabs, etc. It would not occur to many persons, however, to connect the migratory process with these other phenomena. As shown by the census results, it is equally fallacious to assign migration the leading role in explaining the growth of tugurio districts.

II. Summary and Recommendations Stimulated by These Findings On Migration to San José

The studies reviewed here indicate that migration, while clearly a force in the process of urban growth of the San José Metropolitan Area, has not been its primary generator. Rather, it has accounted for only one-third of the city's total population growth in the last intercensal period. The rate of migration has not accelerated. Nor are the migrants, whatever their level of poverty and living conditions, considerably more disadvantaged than the non-migrant population of the city.

One must, naturally, treat these findings with great care. No one suggests that the migrants "have it easy," or that they are living under conditions that, on the whole, might be labeled satisfactory. Policy responses to the problems of poverty can obviously address the special problems of migrants while addressing the larger Target Group.

Nevertheless, the foregoing analysis seems to suggest that special policies oriented toward easing the specific problems of the migrant population are not of first priority, given the equivalent incidence of poverty and bad housing conditions among other poor in San José. As described further in Chapter XI, the National Planning Office (OFIPLAN) has included in its five-year plan some policy statements advocating national economic integration and

decentralization. Such policies are the standard fare of Latin American countries faced by the problems associated with the existence of a large capital city relative to other national urban centers and with regional income differentials of a magnitude sufficient to generate urban migration. While such policies in Costa Rica are sensible, the findings of this assessment show that they need not be promulgated as the nervous response to urban problems generated by an overwhelming flood of migrants. Simple comparisons of the rates of natural increase with the rates of population growth due to migration are sufficient to underscore that point.

APPENDIX V

Internal Migration and the Urban Agglomeration

Because it is geographically more compact and because the 1977 Household and Adult Surveys were limited to it, the unit of analysis treated in Chapter V is the San José Metropolitan Area. If the larger Urban Agglomeration were treated, the conclusions about the speed and impact of migration would be altered. Therefore, for future studies, inclusion of the cities of Alajuela, Heredia, and Cartago and their immediate hinterlands in the unit of analysis would be advisable.

One estimate of the rates of natural increase and of migration for the larger area is as follows: <sup>1/</sup>

<u>Rates (per thousand)</u>	<u>1950-1963</u>	<u>1963-1973</u>
Birth rate	44	34
Death rate	<u>8.5</u>	<u>6</u>
Rate of natural increase	35.5	28
Rate of net immigration	<u>5</u>	<u>10</u>
Rate of population increase	40.5	38

Clearly this estimate shows an acceleration not only in the numbers of net immigrants, but in the rate of their immigration -- an acceleration not manifested in any data available for the Metropolitan Area. It indicates that these areas in the belt around the Metropolitan Area are the recipients of current migratory streams. It should be noted that persons residing in this circumferential belt were not included in our analysis, and therefore that conclusions are based only on the smaller Metropolitan Area.

It should also be noted that when the sampling framework was established, it was decided to work with maps used in the 1973 Census. These maps were not brought up to date to include new deteriorated areas that may have been formed after 1973. Therefore, the new areas that were not included in the sample may have a higher proportion of recent migrants than the areas that were sampled.

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<sup>1/</sup> Carlos Raabe, Oficina de Planificación, private communication, September 8, 1977.

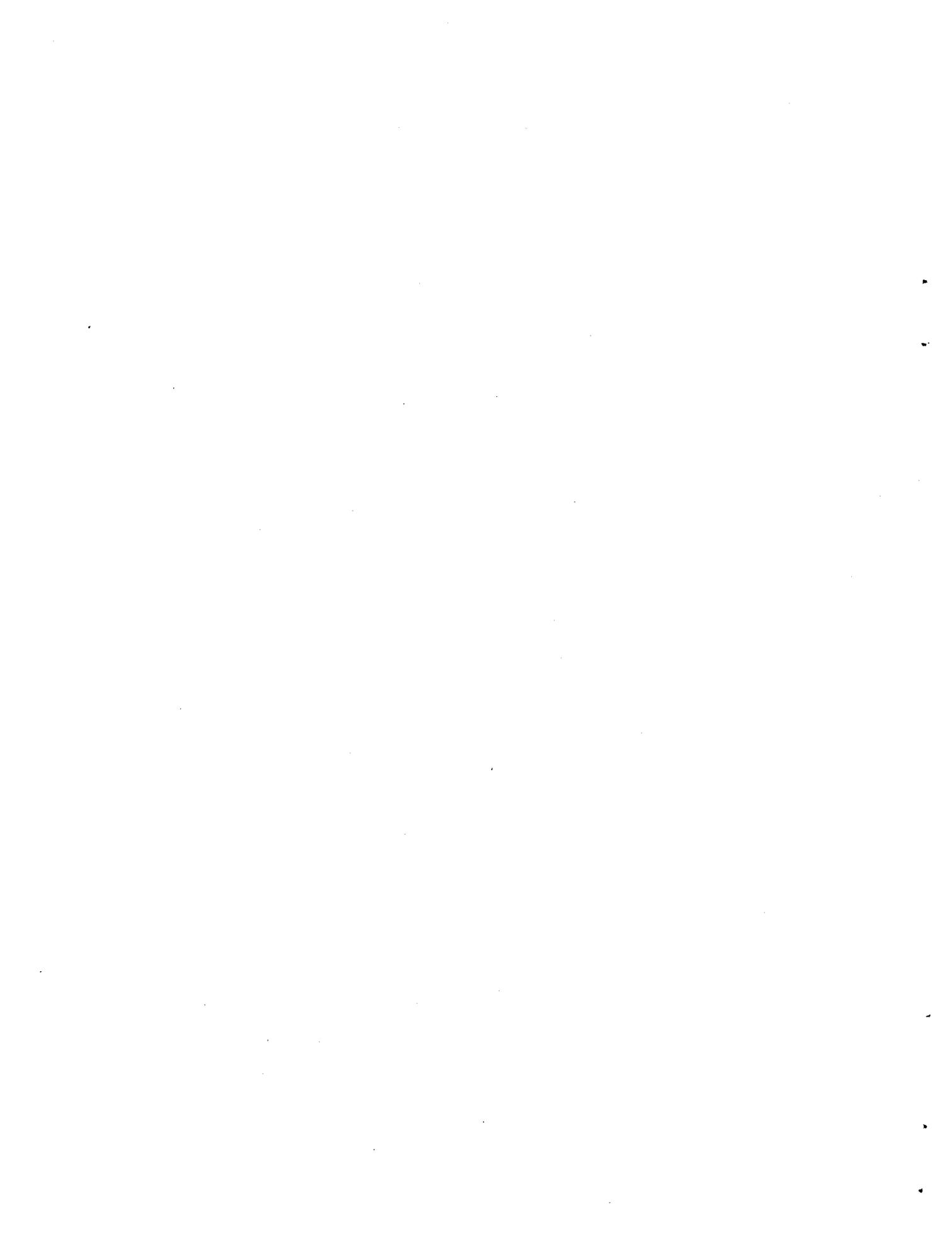


TABLE 1

NUMBER OF FAMILIES BY INCOME GROUP

Total N° of Families and income levels	TUGURIO NEIGHBORHOODS		OTHER NEIGHBORHOODS		TOTAL SAN JOSE	
	Migrant N° (%)	Non-Mig. N° (%)	Migrant N° (%)	Non-Mig. N° (%)	Migrant N° (%)	Non-Mig. N° (%)
Total income (C)	2,801 (21)	10,438 (78)	15,127 (18)	66,076 (81)	17,928 (18)	76,514 (81)
2,000 (\$260)	1,404 (19)	5,711 (80)	10,400 (17)	48,188 (92)	11,804 (17)	53,899 (82)
2,000	1,397 (22)	4,727 (77)	4,727 (20)	17,888 (79)	6,124 (21)	22,615 (78)
1,300 (\$170)	827 (23)	2,732 (76)	2,769 (22)	9,685 (77)	3,596 (22)	12,417 (71)

SOURCE:

Government of Costa Rica, 1973 Population Census Tapes; special tabulation by University of Florida, Gainesville.

NOTE:

Percentages accurate to within + 1.0%. Colones converted at 7.7 per US\$1.00.

TABLE 2

AVERAGE FAMILY SIZE BY INCOME GROUP

TOTAL AND INCOME LEVEL	TUGURIO NEIGHBORHOODS		OTHER NEIGHBORHOODS		TOTAL SAN JOSE	
	Migrant	Non-Mig.	Migrant	Non-Mig.	Migrant	Non-Mig.
Total	5.59	5.56	5.17	5.28	5.24	5.32
Higher than ₡ 2,000 (\$260)	4.58	4.82	4.67	4.93	4.65	4.92
Less than ₡ 2,000	6.61	6.45	6.26	6.24	6.34	6.28
Less than ₡ 1,300 (\$170)	6.84	6.45	6.13	6.04	6.30	6.13

SOURCE:

Government of Costa Rica, 1973 Population Census Tapes; special tabulation by University of Florida, Gainesville.

NOTE:

Colones converted at 7.7 per US\$1.00.

TABLE 3

DEPENDENCY RATE BY INCOME GROUP

TOTAL AND INCOME LEVEL	TUGURIO NEIGHBORHOODS		OTHER NEIGHBORHOODS		TOTAL SAN JOSE	
	Migrant	Non-Mig.	Migrant	Non-Mig.	Migrant	Non-Mig.
Total	0.91	0.85	0.75	0.69	0.77	0.71
Higher than ¢ 2,000 (\$260)	0.54	0.54	0.55	0.53	0.55	0.53
Less than ¢ 2,000	1.30	1.26	1.21	1.16	1.23	1.18
Less than ¢ 1,300 (\$170)	1.55	1.48	1.33	1.31	1.38	1.35

SOURCE:

Government of Costa Rica, 1973 Population Census Tapes; special tabulation by University of Florida, Gainesville.

NOTE:

Colones converted at 7.7 per US\$1.00.

TABLE 4

AVERAGE NUMBER OF CHILDREN UNDER AGE 15 BY INCOME GROUP

TOTAL AND INCOME LEVEL	TUGURIO NEIGHBORHOODS		TUGURIO NEIGHBORHOODS		TOTAL SAN JOSE	
	Migrant	Non-Mig.	Migrant	Non-Mig.	Migrant	Non-Mig.
Total	2.59	2.37	2.11	1.92	2.18	1.98
Higher than ₡ 2,000 (\$260)	1.55	1.53	1.58	1.50	1.57	1.51
Less than ₡ 2,000	3.63	3.39	3.28	3.03	3.36	3.11
Less than ₡ 1,300 (\$170)	4.05	3.60	3.33	3.06	3.50	3.18

SOURCE:

Government of Costa Rica, 1973 Population Census Tapes; special tabulation by University of Florida, Gainesville.

NOTE:

Colones converted at 7.7 per US\$1.00.

TABLE 5

AVERAGE AGE OF HEAD OF HOUSEHOLD BY INCOME GROUP

TOTAL AND INCOME LEVEL	TUGURIO NEIGHBORHOODS		OTHER NEIGHBORHOODS		TOTAL SAN JOSE	
	Migrant	Non-Mig.	Migrant	Non-Mig.	Migrant	Non-Mig.
Total	37.5	42.9	38.8	45.0	38.6	44.7
Higher than ¢ 2,000 (\$260)	36.2	43.2	38.1	44.9	37.9	44.7
Less than ¢ 2,000	38.9	42.7	40.2	45.2	39.9	44.7
Less than ¢ 1,300 (\$170)	39.9	43.6	41.0	46.3	40.7	45.8

SOURCE:

Government of Costa Rica, 1973 Population Census Tapes; special tabulation by University of Florida, Gainesville.

NOTE:

Colones converted at 7.7 per US\$1.00.

TABLE 6

EDUCATIONAL ATTAINMENT INDEX BY INCOME GROUP

TOTAL AND INCOME LEVEL	TUGURIO NEIGHBORHOODS		OTHER NEIGHBORHOODS		TOTAL SAN JOSE	
	Migrant	Non-Mig.	Migrant	Non-Mig.	Migrant	Non-Mig.
Total	0.49	0.24	0.63	0.21	0.60	0.21
Higher than ₡ 2,000 (\$260)	0.53	0.22	0.68	0.19	0.66	0.20
Less than ₡ 2,000	0.45	0.27	0.52	0.25	0.51	0.25
Less than ₡ 1,300 (\$170)	0.43	0.30	0.53	0.29	0.51	0.29

SOURCE:

Government of Costa Rica, 1973 Population Census Tapes; special tabulation by University of Florida, Gainesville.

NOTE:

Colones converted at 7.7 per US\$1.00.

Quotient that compares the number of years of formal education actually gained by all members of the family up to a maximum of 11 years per member. As the index approaches one, it shows a greater proportion of family members educated according to age.

TABLE 7

UNEMPLOYMENT RATE BY INCOME GROUP

TOTAL AND INCOME LEVEL	TUGURIO NEIGHBORHOODS		OTHER NEIGHBORHOODS		TOTAL SAN JOSE	
	Migrant	Non-Mig.	Migrant	Non-Mig.	Migrant	Non-Mig.
Total	8 %	8 %	5 %	5 %	6 %	5 %
Higher than ₡ 2,000 (\$260)	3 %	4 %	2 %	3 %	2 %	3 %
Less than ₡ 2,000	16 %	15 %	14 %	14 %	15 %	14 %
Less than ₡ 1,300 (\$170)	21 %	21 %	22 %	21 %	22 %	21 %

SOURCE:

Government of Costa Rica, 1973 Population Census Tapes; special tabulation by University of Florida, Gainesville.

NOTE:

Colones converted at 7.7 per US\$1.00.



Chapter VI. POVERTY

CONTENTS

	<u>Page</u>
A. Major Findings and Conclusions	55
B. Introduction	56
C. Costa Rica Income Distribution Compared with Other LDCs	56
D. Poverty Lines in Costa Rica	61
E. Extent and Distribution of Poverty: Tugurios vs. the Rest of the Metropolitan Area	63
F. Spatial Distribution	65
G. Family Size and Age Composition	70
1. Among the Poor, Non-Poor, and Very Poor	70
2. Average Family Size	70
3. Average Number of Persons per Family, Aged 15-64	70
4. Dependency Rate	70
5. Interim Conclusion	70
H. Labor Force Participation, Employment Rates and Unemployment	73
1. Labor Force Participation Rate, by Sex	73
2. Interim Conclusion	73
3. Employment Rates	74
4. Unemployment Rates	74
5. Interim Conclusion	75
I. Nominal Wages and Real Wages	76
J. Policy Implications	77
Appendixes	
A. Alternative Concepts and Measures of Poverty	80
B. The Poverty Line	84



## Chapter VI: POVERTY

### A. Major Findings and Conclusions

- In spite of progressive efforts by the Government of Costa Rica to serve the disadvantaged, the poorest 20 percent of the population has gained little since the mid-1960's. Special care will need to be made in designing and monitoring programs for this group to ensure that benefits accrue primarily to them and do not "trickle-up" to the 20-40 and 40-60 percentiles. Benefits of programs should be measured not only in terms of (1) individuals served (in which percentile are they?), but (2) spill over effect on the target community (to permanent members?), and (3) net redistributational impacts (who pays for programs? Who benefits as supplier?).
- Approximately 20 percent of the Metropolitan Area population falls below the subsistence level (¢1,300 annual per capita income) and 36 percent below the poverty level (¢2,000). The concentration of poverty is higher in the Tugurio areas (32 percent below the ¢1,300 subsistence level).
- Less than one-fourth of the total poor population of San José lives in tugurios --the other three-quarters are scattered throughout the Metropolitan Area. Therefore, programs and policies to meet the majority of poor people must go beyond tugurio areas and must be finely tuned to the needs of families and individuals.
- Demographic, employment, and income characteristics do not vary greatly between tugurio and non-tugurio poor.
- Important dimensions of poverty problems might require close-up inspection of individual tugurios (or other areas where the poor are more widely dispersed) through methods not attempted in this study. Valid insights might emerge from comparing judgments among informed people who have experience in dealing directly with poor people on a daily basis.
- The "close-up" approach should also serve to uncover successful but relatively unpublicized programs now operating on a small scale outside the mainstream of official programs, through private, voluntary, or quasi-public auspices. Feasibility studies would be needed to determine their adaptability to larger scale operations with additional support.

## B. Introduction

Poverty is not a homogeneous concept. Its nature varies according to different country situations; different cultural standards of subsistence and consumption; different methodologies for measuring the presence of poverty; different theories of its causes; basic assumptions about human nature, social justice, and the viability of alternative futures; current availability of programs which define an "anti-poverty" strategy; and the flux of political commitments resulting from changing historical conditions and events.

Clearly no single definition of poverty will serve. Instead it is appropriate to draw on a "menu" of definitions, applicable to different strategies, opportunities and reasons for poverty intervention. Seven approaches to measuring poverty are summarized in the appendix to this chapter. Each approach has advantages and disadvantages noted here. Some but not all are applied within the context of this study.

## C. Costa Rican Income Distribution Compared with Other LDCs.

One way to describe poverty is by relative income shares among population deciles. Data for this are readily available for most countries, either from census sources or special studies. Although income data are notoriously unreliable, some of the distortions cancel out in the course of making international comparisons or looking at changes over time. While it is also true that income is only a crude measure of welfare, a lack of income among the poorest groups is a good indicator of other basic deficiencies. This is true especially for the urban poor, who live in a monetized economy, and have less recourse to living off the land.

In comparing Costa Rica with a sample of 42 other less developed countries (LDC), one notes that the poorest 40 percent have not done exceptionally well in Costa Rica, despite the very progressive efforts of the Costa Rica government to serve the disadvantaged. If these data are accurate, the failure of past programs to serve the poor has major implications both for analyzing the nature of poverty in a country like Costa Rica, and for designing and monitoring policy interventions. More specifically:

- The analysis of poverty should take into account not only the programs intended to serve the poor, but other social forces and institutions which despite all intentions are re-creating inequalities in relative income shares.
- The design and monitoring of policies should be more explicit about their target efficiency, i.e. their real effectiveness in serving the lowest two or three deciles, and in containing the "trickling up" of benefits to higher income groups.

TABLE 1

Relative Income Shares: Costa Rica vs. 42 other LDCs  
(Estimated percentage shares by population percentiles)

POPULATION PERCENTILES:	0-40	40-60	60-80	80-100
Costa Rica (pct. share) 1961	13.30	12.10	14.60	60.00
Median for 42 other LDCs	14.00	11.25	16.70	57.10
Range for Lowest countries Other 42 LDCs Highest countries	0.50 23.00	1.28 17.00	8.72 26.37	42.00 89.50
Rank of Costa Rica among other 42 (high rank indicates favorable position for the group)	19th	27th	7th	27th
Other countries, of interest for comparison with Costa Rica:				
Bolivia (1968)	12.90	13.70	14.30	59.10
Chile (1968)	15.00	12.00	20.70	52.30
Libya (1962)	0.50	1.28	8.72	89.50
So. Africa (1965)	6.11	10.16	26.37	57.36
Israel (1957)	16.00	17.00	23.90	43.10
Japan (1962)	15.30	15.80	22.90	46.00
Chad (1958)	23.00	12.00	22.00	43.00
Tanzania (1964)	19.50	9.75	9.75	61.00
Mexico (1963)	10.50	11.25	20.21	58.04
Venezuela (1962)	13.40	16.60	22.90	47.10
India (1957)	20.00	16.00	22.00	42.00

Source: Adelman and Morris (1973), p. 152. The source of Costa Rican data cited by Adelman and Morris is CEPAL, 1969, but the original source of this data appears to be a 1961 study of households within the San Jose region.

The data on relative income shares --comparing Costa Rica with other LDCs-- deserve a closer look. <sup>1/</sup> Compared with 42 other countries, Costa Rica ranked below the median in the percentage share of total income reported for the poorest 40 per cent of the population. (See Table 1.) The middle income group (40-60 percentile) does better in Costa Rica, compared with other countries. The rich also do well. The upper middle (60-80 percentile) group, however, has not done as well: only six of the other 42 countries provide such a low income share for this group.

These findings are summarized in Table 1. There are so many statistical, conceptual, political and ethical problems in making such comparisons that the specific figures themselves should not be taken at face value. At best they indicate a very general pattern of distinctively Costa Rican policies to help the poorest deciles. Table 2 illustrates Costa Rican deviations from the "median experience" of the other 42 LDCs (as of approximately 10 years ago). This information can form the beginning of a working hypothesis on major social forces at work in Costa Rica which poverty intervention strategies need to take into account.

TABLE 2  
Relative Income Shares

Group: Percentiles	Lowest 0-40	Middle 40-60	Upper Middle 60-80	Rich 80-100
Costa Rica	13.30	12.10	14.60	60.00
"Median LDC Experience"	14.00	11.25	16.70	57.10
C.R. as percent of median	95	108	87	105

-----  
1/ Data are taken from Irma Adelman and Cynthia Taft Morris (1973) Economic Growth and Social Equity in Developing Countries. Stanford, Calif: Stanford University Press. Table 1, page 152. Costa Rican data are from UN/ECLA (1970), Economic Survey of Latin America, 1969. New York: United Nations, p. 366.

The meaning of relative income distribution can be clarified by looking at the pattern in other selected countries (see Table 1). The following features are notable.

- Costa Rica's income distribution is closely similar to Bolivia's, although Costa Rica is more like Chile in terms of other development indicators.
- The poor are relatively worse off in countries whose wealth derives from extractive resources (see Libya, South Africa).
- The poorest 20 percent in Costa Rica can be compared with more advanced countries on the basis of other data (Jain, World Bank, 1975). The poorest 20 percent of Costa Rica's population (by household) have 5.4 percent of the income. The poorest 20 percent in East Germany have 10.4 percent; in Japan 8.8 percent; Canada 6.7; Israel 5.8; Sweden 5.2; USA 3.9; France 2.3. Among Latin American countries, Guatemala's poorest 20 percent have 8.9 of the income reported; Argentina 6.9; Chile 4.8; Mexico 4.2; Colombia 3.5; Venezuela 2.7; Ecuador and Peru each 1.8. These data confirm the pattern stated earlier: Costa Rica's poor receive income shares comparable to Latin American standards or even U.S. standards; but those are not standards to be proud of, given the performance of other countries, and the degree to which the government of Costa Rica has committed itself to serving the poor.
- Countries with income distribution most favorable to the poorest 40 percent are found both in pre-industrial societies (Chad, Tanzania) and in advanced-industrial countries (Israel, Japan). During the intervening transition, the lowest decile suffer, not only in relative terms, but often in terms of absolute loss in income, typically for one or two generations. Costa Rica seems to be in this "trough" stage of bad times for the poor. One might well ask: is the bottom of the trough still ahead? Or are the poor beginning to climb out of it? The facts from Adelman's study only represent a static snapshot taken in 1961. Available data for the years 1961 and 1971 help shed light on recent changes in relative income shares. These data basically confirm the earlier picture: the middle-income group gained most during the 1961-1971 decade, while the poorer groups gained less, and the poorest 20 percent gained nothing at all. These estimates are based on real per capita income growth in constant (1972) currency. In failing to realize any absolute gains in real income, the poorest decile actually lost ground in terms of relative income shares (see Table 3). In contrast with the static picture shown in Tables 1 and 2, the shifts in the 1961-1971 period are more favorable to the upper middle group (60-80 percentiles) and less favorable to the richest (80-100). It should be remembered, however, that the reduced rate of income growth for the rich still means greater absolute

income gains than those achieved by the poor. In other words, the absolute gap in incomes is increasing not only between the poor and middle income groups, but between the middle groups and the rich. The very poor (0-10 percentiles) face not only a widening gap in absolute terms and a loss of relative share, but a stagnation in the absolute level of income itself.

TABLE 3  
Growth in Real Per Capita Income by Decile  
Costa Rica 1961-1971

Year:	1961-1971		Changes 1961-1971		
			Percentage points Change in relative income shares.	Average growth Rate of Absol. Incomes	
Column: percent of popul.	(1)	(2)	(3)	(4)	
Poorest	0-10	2.6	2.0	-0.6	0.0
	10-20	3.1	3.0	-0.1	.023
	20-30	3.3	3.8	0.5	.040
	30-40	4.0	4.8	0.8	.044
	40-50	4.8	5.8	1.0	.045
	50-60	5.9	7.1	1.2	.044
	60-70	7.6	8.9	1.3	.042
	70-80	10.1	11.4	1.3	.038
	80-90	14.6	15.7	1.1	.033
richest	90-100	44.0	37.5	-6.5	.010
Total		100.0	100.0	0.0	.027

Note: Data are taken from the San José area. This is the same source used in Tables 1 and 2, but with slight adjustments. 1971 data are based on national per capita income data. Rourke discusses several problems in the comparability of the 1961 and 1971 data, but concludes that no major distortions are introduced into the results shown in column 4 of Table 3, above.

One important conclusion may be drawn from the discussion. Strategies aimed at serving the poor generally defined as being "below the median income level" will tend to serve those closest to the median, that is to say, the 40-60 percentile group who are already reaping the major benefits of Costa Rican economic growth. The 20-40 group is also gaining, according to data from the 1960s, and more recent policies also have benefitted this group. The real losers always have been and apparently continue to be the 0-20 percentile group. This group requires highly imaginative policy design in all areas --whether health, employment, income generation, housing or other-- in order to overcome the distinctive constraints of reaching this group. There should be rigorous monitoring of the target efficiency of programs, especially in light of the extremely powerful and persistent trickle-up forces which traditionally divert program benefits from the (0-20) to the (20-40) and (40-60) percentiles.

#### D. Poverty Lines in Costa Rica

Two poverty lines have been selected on the basis of estimating minimum market baskets for the San José Metropolitan Area using 1973 data and prices. The more generous basket sets a "poverty level" of ₡2,000. The "subsistence" basket is valued at ₡1,300. (See Appendix B for detailed discussions of poverty lines). Translating this into U.S. dollars (at the mixed exchange rate of ₡7.6 = \$US1, in 1973), the ₡2000 poverty level comes to \$263 per capita annual income, which is \$22 per month or 73 cents a day. The "subsistence" income of ₡1,300 represents \$US14 per month or a daily outlay of 47 cents to take care of everything --food, clothes, shelter, and other basic necessities. Some items provided by the state are not included. Education is an obvious example, but in Costa Rica medicine also falls into this category of "costless" items, given the free and universal provision of medical services (at least in principle).

As noted earlier, data for this study refer mainly to 1973, a convenient year because it corresponds to the latest census and precedes the economic distortions of the 1974-1976 period (oil crisis, transitory inflation, and economic repercussions). Nevertheless, it is useful to note that the poverty levels defined above represent, in terms of family income and, 1977 prices, annual incomes of ₡12,190 (US\$1427.40) and ₡18,550 (US\$2172.13) respectively. This is based on an average family of 5.3, and on price changes for individual items within the market basket. Translating this back into per capita income for 1977, at 1977 exchange rates (₡8.54 per U.S. dollar), the poverty line becomes \$410 (annual per capita income) and the subsistence line becomes \$269. This amounts to a monthly income of \$34 and \$22, respectively.

Errors in defining poverty lines are more or less acceptable depending on the use to which they are put. For example:

- For many policy purposes, it is not necessary to know the income of the target group: what matters is whether people are deficient in particular ways upon which agencies are prepared to act (health, housing, nutrition, jobs).
- Income is by no means the only or even the best way to characterize poverty, although it has some major advantages. Other approaches to describe and deal with poverty are listed along with brief mention of their relative merits, in Appendix A of this chapter.
- The significance of living at or near a particular poverty line will vary from one individual or family to the next. Some will allocate their resources in a way that is "optimal" and "responsible" to satisfy basic needs. Nevertheless, such allocations (which are the basis of defining a "minimum market basket") are usually determined by professionals who have little first-hand experience with poverty, and can only attribute to the poor a set of needs or satisfactions determined by their own a priori conception of basic needs. This makes no allowance for group or individual differences among poor people's tolerance for deprivation, and gives leeway to consumer sovereignty for satisfying special wants outside the stereotyped minimum.
- Reported incomes typically underestimate income "in kind", including free government services such as child nutritional programs (Asignaciones Familiares), subsidized housing credits (IMAS), and health benefits.
- The significance is also problematic for people living substantially below the minimum. For people to live "below a subsistence level" is almost a contradiction in terms. It means that information on earnings is incomplete, that people are living off unrecorded transfers such as government services, loans, or crime, that the analyst's preconceptions about "minimum needs" is wrong, or that one is dealing with a class of people in such desperate straits that conventional poverty programs like education, housing, employment projects and health services may be unable to help even if they could reach out to them. Alcoholism, mental deficiency, criminal pathology, transitory personal crises, victimization by events such as natural disasters and eradication programs, untreatable sickness and debilitation, death of spouse in a family with many children to care for --all these problems arise in most societies, and they are not treatable by conventional ways of lifting people from just below to just above the poverty line.

- Different choices of poverty lines naturally affect how many people are measured as "poor", but the identification of concentrated locations of poor people will not usually be affected greatly by the choice. For example, within San José, the distribution of "poor" people as between tugurios and non-tugurio areas is virtually the same, whether one uses the ₡1300 figure of the ₡2000 figure. The same is true for size of family and education levels. Certain other variables, such as unemployment rates, dependency ratios, and housing conditions, are more sensitive to choice of poverty line. (See Table No. 5.)
- Finally, in any given year, business cycles or abnormal economic events can shift many people above or below the poverty level. This is primarily because people living at the margin of poverty are likely to be precariously or sporadically employed on a "first hired, first fired" basis. Costa Rica enjoyed fairly steady growth in the period 1963-68 (marked by a 7.2 percent average annual increase in domestic product), carrying over to a similar rise in the next five-year period (7.1 percent from 1968 to 1973). Immediately after the 1973 census, however, there was a sharp economic downturn (growth during 1973-76 averaged only 4.0 percent), accompanied by inflation and rising minimum wages --a situation in which many people were undoubtedly let go from marginal jobs to slip below the poverty line.

F. Extent and Distribution of Poverty: Tugurios vs. the Rest of the Metropolitan Area

Application of the ₡2000 and ₡1300 per capita annual income poverty lines to the 1973 census data yields the tables below. For the Metropolitan Area as a whole, 36 percent of the population falls below the ₡2000 poverty level and 20 percent below the ₡1300 subsistence level (Table 6). Within the Metropolitan Area Tugurios, 54 percent are below the ₡2000 line and 32 percent below ₡1300. Non-tugurio areas show 33 percent below ₡2000 and 18 percent below ₡1300.

TABLE 4

Area	Population Classified by Annual Per Capita Incomes			
	Below ₡1300 ("Subsistence")	Below ₡2000 ("Poverty")	Above ₡2000 (Non-Poor)	Total Pop
Metro	98,848	180,982	320,334	501,316
Tugurios	23,307	39,735	34,015	73,750
Non-Tugurios	75,541	141,247	286,319	427,566

Income figures shown here for San José residents may be underestimated in one respect that deserves note. Census takers estimate annual incomes on the basis of information solicited about income in the month preceding the census survey (for 1973, this was the month of May). Many San Jose residents, however, receive supplementary income during the coffee harvest months (October-January), given the close proximity of coffee farms to the city. Most of these earnings were probably not reflected in census-reported earnings. Unfortunately, the magnitude of earnings for the particular groups addressed in this study are not known.

TABLE 5

Area	Population as Percent of Metropolitan Area			
	Below ₡1300	Below ₡2000	Above ₡2000	Total
Metro	100	100	100	100
Tugurios	24	22	11	15
Non- Tugurios	76	78	89	85

TABLE 6

Area	Poverty as Percent of Each Area			
	Below ₡1300	Below ₡2000	Above ₡2000	Total
Metro	20	36	64	100
Tugurio	32	54	46	100
Non- Tugurio	18	33	67	100

The data in these tables will be discussed further in a later section, but certain facts deserve immediate note. Tugurios make up 15 percent of the Metro population; they contain less than a quarter of the total poor population of San Jose --specifically 24 percent of people living below the ¢1300 "subsistence" level and 22 percent of those living below the ¢2000 "poverty" level. (See Table 5.) By either definition of poverty, therefore, more than three quarters of the poor are scattered elsewhere in the Metropolitan Area.

It is also notable that fully 46 percent of those living in tugurios are non-poor by the ¢2000-level definition, while 68 percent are above the ¢1300 subsistence level. (See Table 6.) Elsewhere in the Metro, 33 percent are below the ¢2000 poverty level and 18 percent below ¢1300.

It follows that policies to reach the Metro poor will by no means reach the majority of poor people if efforts are confined to tugurio areas. It may prove more efficient to deliver solutions to well-demarcated poverty neighborhoods. Even within the tugurios, there will be problems effectively reaching the target group: first, nearly half of tugurio residents are above the upper poverty line of ¢2000 (compared to the rest of the Metro, where two-thirds are above this line). Second, 59 percent of tugurio residents who fall below the ¢2000 line, also fall below the "subsistence" line of ¢1300, and these may be in such desperate straits that they may not have the absorptive capacity for conventional poverty programs like housing, manufacturing employment opportunities, training programs and other projects which demand a well-fed, motivated, disciplined, socially adaptable, and consistently productive individuals. It is not to imply that poverty programs should be focused on other groups. Rather, very imaginative, well-coordinated, and sensitively adapted programs will be called for -- whether in tugurios or in other Metro areas. Moreover, there does not appear to be much leeway for self-financing schemes to be realistically considered. Solving the problems of people who are living below subsistence is not in most cases a profit-making venture. Most likely, it will take monetary subsidies, major service inputs from a range of Costa Rican social agencies, and/or major social mobilization among the poor themselves.

#### F. Spatial Distribution of Poverty in San José

A useful question for policy analysis is whether poverty inside a tugurio is different from poverty elsewhere. Do the conditions that are associated with urban poverty in a tugurio bear substantially different characteristics from poverty in the city at large? If so, special tugurio-oriented policies are desirable. On the other hand, if poverty is largely aspatial in its nature, it should be treated as a whole.

Tugurios have been defined and identified in San José in accordance with a reconnaissance carried out by the National Housing Agency (INVU) using a variety of devices including census data, special surveys, air photos and field observations. The definition of a "tugurio" is based on a weighted formula of social, economic and physical characteristics, with most weight given to physical characteristics and least to social factors. Using these criteria, INVU identified 118 tugurios in the San José Metropolitan Area. (It should be noted, however, that if stronger weight were given to social and economic factors, it is possible that other tugurio areas might be identified, especially since socio-economic deprivation can easily exist hidden behind the facade of decent physical exteriors.)

Based on the INVU sample, OFIPLAN analysts have attempted to make a broad distinction between three types of tugurios; I--concentrated slums, generally dating back to the post-war period of the late forties; II--dispersed areas of shacks and shantytowns, or more recent origin during the sixties; and III--unstable pockets of isolated poverty, having diverse ages and origins. These and other typological categories are more fully described in the Social Analysis Chapter.

Figure 1 gives a general idea of the location and extent of tugurio poverty in the Metropolitan Area in 1973: an estimated 74,000 (15 percent) lived in tugurios. Not all residents are poor, however, and not all the poor are in the tugurios. Many are found elsewhere in the city. How many poor are counted in each place depends on where one draws the poverty line in terms of minimum income levels.

Table 7 summarizes the distribution and intensity of poverty in San José, based on the "poverty" and "subsistence" lines described earlier in this chapter and in Appendix B.

A very significant fact emerges from this table: income profiles do not differ greatly between tugurio and non-tugurio areas of San José. Using the \$2000 poverty line definition, half (55 percent) of the people in tugurios are "poor", but roughly a third (33 percent) of people living in the rest of the Metropolitan Area are also poor. The same picture emerges using the \$1300 poverty line: by this definition, 32 percent of tugurio residents have incomes lower than theoretical subsistence requirements, and 18 percent of other people in other San José areas fall into the same category. The relative concentration of poverty inside and outside tugurios is about the same regardless of which poverty line is used. That is, the ratio of non-tugurio/tugurio poverty concentrations is about the same using the \$2000 benchmark ( $33/55 = .60$ ) or the \$1300 benchmark ( $18/32 = .56$ ). All this points to the fact that, contrary to the usual views of poverty as mainly focused on slums, poverty in San Jose is highly dispersed throughout the Metropolitan Area. Referring to columns 3 through 6 of the table, it appears that more than three out of every four poor people (defined by whatever choice of poverty line) are located outside areas identified as tugurios.

Figure 1.

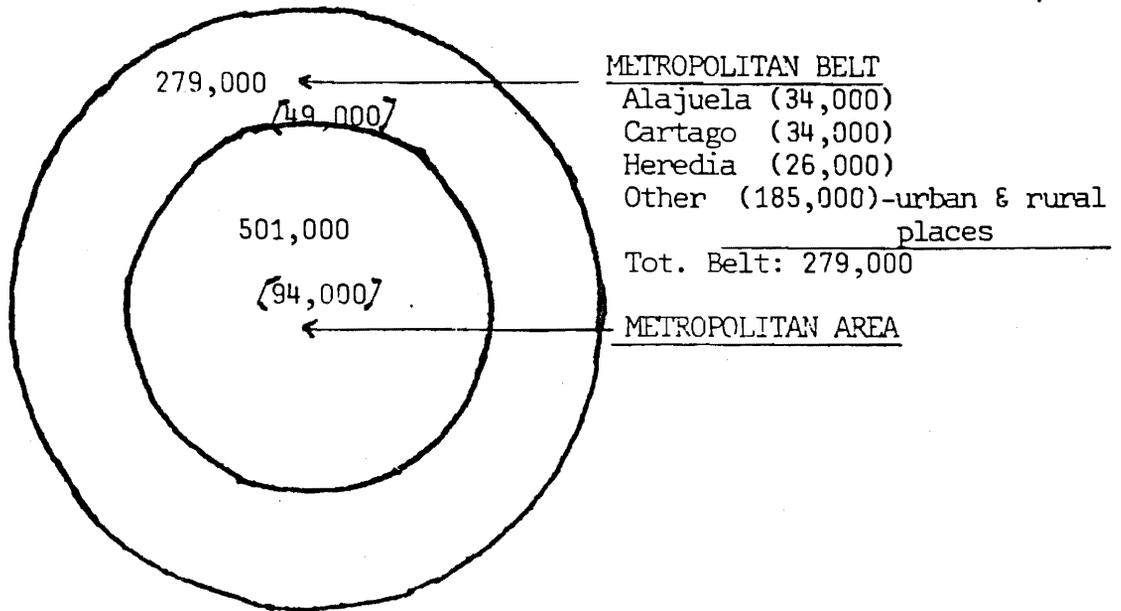
Population Data (1973) for San Jose

Metropolitan Agglomeration, Metropolitan Area, and Tugurio Areas

[Number of families shown in brackets]

METROPOLITAN AGGLOMERATION

781,000 [146,000]



METROPOLITAN AGGLOMERATION

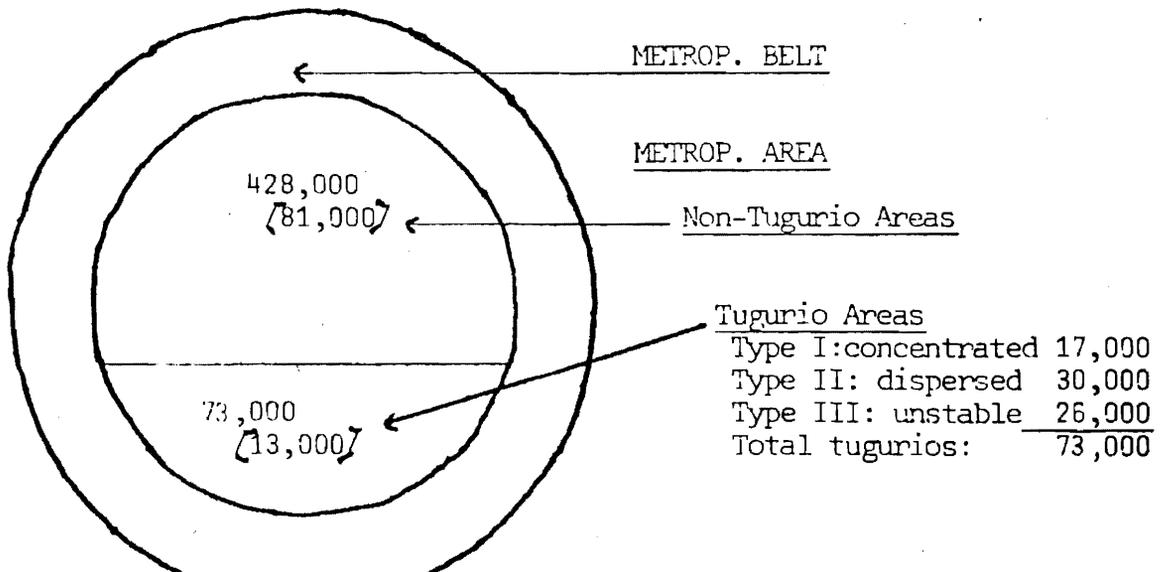


TABLE 7

Distribution and Intensity of Poverty in San José

1973 Census Data	Population	Population as percent of total	The Poor: annual per cap. income below ₡2,000 and ₡1,300				The Poor as pct. of all inhabitants of the area, poverty defined at	
			Number (Pct. of S.J.)	Number (Pct. of S.J.)	Number (Pct. of S.J.)	Number (Pct. of S.J.)	₡2000	₡1300
Column:	(1)	(2)	(3)	(4)	(5)	(6)	(7)=(3+1)	(8)=(5+1)
Total Population of San José Metropolitan Area	501,000	(100)	181,000	(100)	99,000	(100)	36	20
Tugurio Zones	73,000	( 15 )	40,000	( 22 )	23,000	( 23 )	55	32
Non-Tugurio Areas	428,000	( 85 )	141,000	( 78 )	76,000	( 77 )	33	18

The policy implications of this are inescapable, and of great significance. While it is true that some poverty can be dealt with by focussing on slums as entire units (through housing projects, eradication, community development programs, employment generation schemes, and other geographically focused measures), three-quarters of the poor will have to be reached through projects that seek out and serve the poor on a very fine-grain level throughout the Metropolitan Area.

Two steps toward this end deserve consideration. One is for a collaborative effort to be undertaken by several Costa Rican agencies involving a fine-grained search for geographical pockets of poverty in the Metropolitan Area beyond the 118 tugurios already identified by INVU. The other logically complementary approach would be to secure the cooperation of Costa Rican institutions which are presently dealing with poverty problems, not on the basis of whole communities, but at the level of families and individuals. Costa Rica presents good opportunities for this, due to the well advanced state of social services in nutrition, social security, education and other outreach efforts focussing on the individual. An important element of this strategy would be to identify different packages of assistance which best serve the different categories of poverty being addressed by each "poverty locating" agency. For example, nutrition programs probably reach out to individuals at the lower end of the poverty spectrum. Such individuals are often not in a position to make good use of regular training programs, or to qualify for small loans, or support payments on a house, or hold down a steady job. But a different package of services might serve them well: basic literacy and numeracy training; sites and services in lieu of finished houses; employment in public works rather than on an assembly line; child care services; counseling and referral services that may be needed to deal with special problems such as alcoholism and mental deficiency. PADCO has suggested that broad categories of poverty syndromes imply differentiated packages of integrated services. These could be targeted through appropriate agencies, whose usual (but more specialized) outreach functions would serve as "poverty locators" on the fine-grain scale necessary both within and outside tugurios. For example, education agencies may be able to help identify appropriate locations for employment generation projects and/or give references on individuals whose reliability and earning potential makes them favorable recipients of down-payment housing. Agencies dealing with environmental health problems might similarly help pinpoint efficient location of medical services to serve the non-tugurio poor. More work is necessary, however, to design appropriate packages of services (e.g., through factor analysis) which might be appropriate to identify syndromes of needs and absorptive capacity for a diversity of services. Additional study is also needed to pick the appropriate "locator" agencies for each package.

G. Family Size and Age Composition Among the Non Poor, Poor and Very Poor

Table 8 compares tugurio (T) and non tugurio (NT) populations in the Metropolitan Area with regard to family size, age composition, labor participation, and employment. Three income strata have been separated out from 1973 census tabulations. These represent annual incomes per capita for persons living in families whose combined incomes have been divided simply by the numbers of family members. The incomes are expressed in 1973 colones, which could be converted to 1977 equivalents by multiplying by a factor of 1.6. Family incomes could similarly be derived simply by multiplying the per capita incomes by average family size.

1. Average family size.

Poor families are bigger than other families, and the poorest families in tugurios are larger by about half-a-person than poorest families in other metropolitan neighborhoods. Note that in both sets, the poorest families are actually smaller than families in the next income stratum. The effect of these size differences will become apparent as the analysis unfolds.

2. Average number of persons per family, aged 15-64.

Larger family size is associated with more children per family; the numbers of adults in tugurio families is almost exactly the same as the number of adults in families living elsewhere. Neither neighborhood has an advantage with respect to potential numbers of income earners.

3. Dependency rate.

Demographers use another variant of the same information to calculate an age-related coefficient called the dependency rate. As explained in the preceding chapter, it measures not strictly the number of "dependents", but rather the numbers of young (under 15) and old (over 64) persons per 100 persons in the so-called "working ages", 15-64. The higher the ratio, the lower the number of potential working adults and the higher the proportion of dependents. While the dependency ratio in the lowest income brackets is higher in tugurios (more children) than elsewhere, it is almost the same in the higher income strata.

4. Interim conclusion.

While families are larger in tugurios at the lowest income levels, this does not imply greater strain on family resources; since the income figures used are per capita rather than per family or per worker.

TABLE 3

Poverty Groups in the San José Metropolitan: Tugurios and the Non-Tugurios Poor  
 Family Size and Economic Activity, in Income Class. (1973 Census)

	T=Tugurio NT=Non-Tug.	All Incomes by neighborhood	All Incomes Area Wide	Less Than ¢1300 "Subsistence"	Less Than ¢2000 "Poor"	Above ¢2000
Average family size	T NT	5.57 5.27	5.31	6.55 6.07	6.49 6.25	4.78 4.89
Average No. in family between ages 15 & 64	T NT	2.98 3.09	3.07	2.62 2.61	2.85 2.87	3.07 3.17
Average No. of economically active persons in family.	T NT	1.74 1.75	1.75	1.23 1.02	1.47 1.29	1.98 1.92
Dependency Rate		0.87 0.70	0.73	1.50 1.32	1.27 1.17	0.54 0.54
Unemployment rate	T NT	9 6		24 25	17 16	4 3
Men	T NT	5 2		11 9	9 7	3 2
Women	T NT	8 5		21 21	15 14	4 2
Both Sexes	T NT	90 82		84 70	87 76	91 84
Labor Force Participation Rate (LFPR),	T NT	29 34		19 17	22 20	34 40
Men	T NT	58 56		47 39	51 44	63 60
Women	T NT					
Both Sexes	T NT					

	T=Typic NT=Non-Typ.	All Incomes by neighborhood	Less than \$1300 "Subsistence"	Less than \$2000 "Poor"	Above \$2000
Proportion of families with per capita incomes as ind.	T NT		26.8% 15.3%	46.3% 27.8%	53.7% 72.1%
Employment Rates, *					
Men	T NT	81.2 79.8	63.6% 49.2	71.9% 63.8	87.4% 81.2
Women	T NT	27.3 33.7	17.4 15.9	20.2 18.7	33.4 34.9
Both sexes	T NT	53.2 53.2	36.7 30.5	43.4 38.1	60.7 58.9
Average No. of Workers in family	T NT	1.59 1.64	0.96 0.80	1.24 1.09	1.88 1.87

\* No. Employed/No. Age 15-64

## II. Labor Force Participation, Employment Rates, and Unemployment

Economic activity is defined as working or actively seeking work. The labor force is therefore composed of both employed and unemployed. While considerable controversy exists about the appropriateness of this set of internationally accepted definitions, especially in low-income countries, this analysis is based on the traditional definition of economic activity.

In all income strata, the number of family members in the labor force is higher in tugurios than outside. As incomes grow, average numbers of participants per family grow as well. In tugurios, almost four times as many workers contribute to a family's income in the highest bracket observed than in the lowest. In non-tugurios, the disparity between participation of poorer and richer families is even more marked. Note in Table 8 that for the top bracket --which under no circumstances could be thought to represent more than the most modest incomes-- the number of family members at work or seeking work is almost exactly the same for tugurio and non-tugurio residents.

### 1. Labor force participation rates, by sex.

With a single exception, tugurio resident participation is higher than for non-tugurio residents. These participation rates take into account only the adult population. Among the poorest families in tugurios --those with less than 400 colones per capita annually-- almost three-quarters of adult males are active in the labor force, while outside these neighborhoods, barely more than one-third are active. One partial explanation (which is supported by other data) is that school attendance rates are higher. Many (but not all) students will be classified as inactive rather than active, thus lowering participation rates for the group from which they come.

Women's participation rates are lower, for all incomes and in both tugurios and outside, than in affluent countries. Higher fertility and the absence of previous female participation tradition are both reflected here. Note that only in the highest income group does a higher proportion of non-tugurio women participate than tugurio women.

### 2. Interim conclusion.

Higher participation by tugurio residents results in the same incomes as in non-tugurios. This, in turn, reflects the lower education (and probably lower skills and productivity) of tugurio residents, as well as relatively poor job opportunities. More of them must participate to achieve income levels equivalent to those made outside.

### 3. Employment rates.

"Employment rates" refer to the number employed divided by the number of adults in the working ages 15-64. Persons who cannot be classified as "employed" are either truly unemployed or are part of the economically inactive portion of the adult population. This employment rate tells what proportion of the adults are actually at work --not looking for work or thinking that it might be nice to have a job, but actually and formally working. The higher the employment rate, the better the economic circumstances of the people involved. The lower the rate, the worse off the community, as reflected by employment rates in lowest income groups which are 50 percent lower than those of the non-poor. There are a number of reasons for low rates --inability to find jobs, as well as unwillingness to work at the low wages offered unskilled labor (often 0400-500 per month). Many of these people are consequently not part of the official labor force --therefore, the fact that they are not working is a form of "invisible" unemployment. If they were actively participating in the labor force, unemployment in the lowest income groups would therefore be considerably higher.

Employment rates for tugurio males are greater than those for non-tugurio males in the same income class. The lower the income, the greater the difference. Given the arrangement of the data, this finding is plausible, although a bit unexpected. It can be explained by the fact that larger families in tugurios mean that more workers per family unit are available, and, depending on their employment rates and wage levels, family incomes are higher for larger families.

Only for the lowest income class do tugurio women have notably different, and in this case higher, employment rates than non-tugurio women.

### 4. Unemployment rates.

The unemployment rate used here is the standard one: the proportion of the labor force (not the adult population as a whole) that actively, but unsuccessfully, sought work during the survey week.

The data show clearly that unemployment rates for the urban poor are high, especially among the lowest strata of the poor. For males with incomes less than 0400 per year, more than 80 percent are unemployed. Nevertheless, holding income levels constant, unemployment rates are not notably different for tugurio and non-tugurio residents. Indeed, as close inspection of the data brings out, the unemployment rates are as likely to be higher among non-tugurio residents as the reverse. These generalizations seem to apply equally for men and women, although women's unemployment rates are not as high as men's.

5. Interim conclusion.

Although unemployment rates are roughly equal among poor people at a given income level, comparing tugurios with non-tugurios, employment and participation rates are higher in tugurios.

1. Nominal Wages and Real Wages

Minimum wages of the lowest paid occupations are one indicator of incomes of the poor and near poor. Costa Rican minimum wages, like those of some other Latin American countries, are highly specific to different occupations within each branch of economic activity. For example, to outline the minimum wages in manufacturing, 14 tightly spaced pages are used, in classifying different industries and occupations in the Ministry of Labor's instructional guide for 1977. The highest minimum wages are assigned to chemical analysts and newspaper proofreaders, while the lowest go to unskilled workers in a variety of industries. The highest specified minimum wages are 2.6 times higher than the lowest.

The mid-1970's were marked by what appears to have been a transitory spurt of inflation in Costa Rica. During this period, however, minimum wages rose faster than living costs as measured by the consumer price index. While prices increased by some 60 percent between 1973 and 1977, official minimum wages rose by an even larger factor. The result was an increase in purchasing power in current prices of from 14 to 33 percent over the four year period, at least for people holding jobs governed by minimum wages. Looking instead at salaries for workers covered by Social Security (some 70 percent as of 1976), it is less apparent that wages have kept pace with inflation. These average salaries are shown in Table 10 which follows. It should also be noted that these average salaries are probably over-valued since those not covered by Social security are likely to receive lower wages.

Because both minimum wages legislation and average wages paid Social Security members are only proxy indicators, no definitive statement can be made on the effects of recent inflation on real wages. Looking at Table 10, however, one can say that real wages in 1976 increased.

TABLE 9

Lowest Daily Minimum Wage,  
By Economic Activity,  
(1973 and 1977.)

<u>Sector</u>	<u>Current Prices</u> <u>Lowest daily minimum wage*</u>		<u>Ratio</u>
	<u>1973</u>	<u>1977</u>	<u>1977/1973</u>
Agriculture	¢ 12.90	¢ 27.10	2.1
Mining	19.00	34.70	1.8
Manufacturing	12.80	27.10	2.1
Construction	17.85	33.30	1.9
Electricity	15.25	30.50	2.0
Commerce	13.00	27.10	2.1
Transport	15.40	30.80	2.0
Services	13.00	27.10	2.1

\* Not adjusted for price changes. Actual levels at dates shown.

TABLE 10

Indices of Prices, Nominal Salaries, and Real Salaries

<u>Year</u>	<u>Consumer Price Index</u>	<u>Salaries</u>							
		<u>Agriculture</u>		<u>Industry</u>		<u>Other</u>		<u>Total</u>	
		<u>Nominal</u>	<u>Real</u>	<u>Nominal</u>	<u>Real</u>	<u>Nominal</u>	<u>Real</u>	<u>Nominal</u>	<u>Real</u>
1972	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
1973	1.127	1.148	1.019	1.089	0.966	1.070	0.949	1.094	0.970
1974	1.499	1.321	0.881	1.292	0.862	1.243	0.829	1.280	0.850
1975	1.760	1.627	0.924	1.534	0.872	1.495	0.849	1.546	0.870
1976	1.822	1.906	1.046	1.822	1.000	1.737	0.953	1.815	0.990

#### d. Policy Implications

The following policy implications are suggested by the conceptual introduction to this chapter and by preliminary analysis of 1973 census data and special surveys of 1977.

1. Poverty is not predominantly a "ghetto" phenomenon in Costa Rica. Instead it is widely dispersed, with poor people living in relatively higher income neighborhoods of the city and higher income persons living among the poor. This pattern, (if verified by further analysis) suggests that programs injected into "poor" areas are likely to serve the well-off as well as the poor. In order to reach the truly poor, it will be necessary to identify poverty needs on an extremely fine-grain scale, such as the census segment, block level, or individual family. Costa Rica offers unique possibilities for family-level diagnosis of needs through its health, education, nutrition, and family assistance programs.

2. For the same reason it is necessary to monitor carefully the "target efficiency" of anti-poverty programs. This involves:

- a) monitoring which poor are not being reached --a subject for continuing research beyond this Urban Sector Assessment;
- b) monitoring what proportion of benefits are "trickling up" to the rich, and the well-to-do poor; and
- c) fixing clearly defined limits of the target group.

3. There seems to be low "spatial friction" in Costa Rica -- people, services, information and resources move easily from one part of the country to another. For example, there are extraordinarily similar levels of unemployment (about 35 percent) among the very poor, regardless of tugurio type or regardless of whether or not one is describing tugurio or non-tugurio unemployment.

This means that anti-poverty programs in any given area will likely attract people from other areas. This gives rise to two problems: (a) net improvements, based on local before-and-after measurements of unemployment, malnutrition, poor housing, etc. may appear to be zero, even though people are being helped. (b) Those who take first advantage of local programs may be outsiders, moving in for that very purpose. Whether they are local or outside people, the first to benefit will likely be those already "mobilized" to capture new opportunities. These are likely not to be "the lowest" 20 percent.

One policy implication that follows from this is that benefits of programs should be measured in terms of both (a) individuals served (are they in the lowest 20, 30, or 40 percent?) and (b) the net effect on the target community (do benefits accrue to its own permanent members, or to outsiders, or to local people who then leave, taking the benefits with them?).

4. The failure of the 0-20 group to benefit from past growth is striking in a progressive country like Costa Rica. The phenomenon deserves special attention, and deserves more intensive specialized study than is possible in the more general framework of this Urban Sector Assessment. Further research might take the form of a special study commission integrating personnel from OFIPLAN, the Presidencia, University staff, line agencies such as IMAS and DINADECO, and other interested groups. Research might focus on these issues:

- Are the 0-20 group still losing (in relative or even absolute terms), or have gains for the lowest 20 percent been realized in the most recent years?
- What social factors are constraining the development of this group?
- What social factors and institutions are re-creating inequalities, either as unintended side-effects of poverty programs, or as trickle-up mechanisms embedded in society at large?

5. Probably the most important "trickle up" effect of anti-poverty programs is the "supplier effect". Suppliers of services generally come from a higher socio-economic status than those served. Benefits of programs to the poor are always problematic and usually characterized by lags between the sowing and harvesting of investments (e.g. in education and nutrition). In contrast, suppliers are usually guaranteed immediate benefits in the form of a paycheck, and they thereby gain from every peso of goods delivered.

The policy implication of this is so obvious that it is usually ignored: a major thrust of anti-poverty program should be to increase the proportion of suppliers that originate from the target population itself. This would require special attention to short-term training, re-definition of minimum services needed, networks of know-how between poor neighborhoods (including rural-urban links), special attention to appropriate technologies, and other measures making self-help a realistic goal.

6. Frank and explicit analysis of why the poor are not being well served in Costa Rica will be constructive and well received only if it is balanced with equally explicit recognition of the extraordinary work already undertaken by the Costa Rica government, autonomous agencies, and the economy at large. Policies derived from the urban sector assessment should build on the best of programs already underway, and avoid the creation of new institutions and ideas that, unintentionally but inexorably undermine earlier initiatives. Some of the most effective and imaginative programs may be relatively invisible from downtown San José. One of the great dangers of any sector assessment is its bias toward "armchair analysis". A concerted effort should be made to track down localized and "grass roots" programs that can serve as models to serve the lowest 20 percent. Preoccupation with the Big Picture could distract from needed recognition of humble efforts undertaken by the poor to help themselves. Policies should be aimed at reinforcing these efforts, but all too often, technical assistance programs merely out-flank local initiatives, in the search for quick solutions to age-old problems.

Appendix VI. A.

Alternative Concepts and Measures of Poverty

For the most part, the definitions given in the following table represent complementary rather than substitute concepts. The multiplicity of concepts should serve as a reminder that poverty is a many-faceted process, and should be viewed from many angles to understand its substantive character. Concepts of poverty should logically be as rich and varied as the cultural, economic and political realities which cause poverty and which in turn define the scope of needed interventions. One set of definitions (1-4) focus on poverty lines - which are generally easy to conceptualize and measure, but tend to represent symptoms and outcomes rather than conditions, causes and intervention points for policy. The second set of definitions (5-7) refers to poverty conditions and processes. They put a heavier burden on the analysis, but yield more substantive guidance for policy.

Alternative Poverty Definitions:

Agency or Source	Definition	Advantages	Disadvantages
1. Traditional	<u>Average per capita income. Absolute international standard (for example US\$150 per capita year)</u>	Permits rough international comparisons, adjustments with prices, urbanization, etc.	Insensitive to individual country differences in composition and costs of basic needs.
2. OPIPLAN estimate for Urban Sector Analysis 1977	<u>Minimum market basket. For example ₡1300 per year per capita in Costa Rica, based on pricing of basic needs.</u>	Focuses on basic needs	.Ignores possibility of meeting basic needs outside monetized transactions .Minimum income may not be spent optimally. Requires periodic recalculation ."Minimum" expands with rising marketed expectations, with possible exception of basic nutrition requirements.
3. Discussed in text of this Chapter	<u>Relative position of lowest deciles (e.g. lowest 20% in terms of housing, services community facilities etc. May be extended to lowest 30% or 40%)</u>	Data on lowest 20% is usually available .Focuses on group which has benefited least from economic development .Calls attention to problems of serving the very poor.	Lowest two deciles may have very low absorptive capacity for assistance.

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4. Economic Literature	<u>"Fuchs Point"</u> The level of income equal to one half the median for the region or country. (e.g. median income for the San Jose Urban Agglomeration 2700 then F.P.-1350).	.Corresponds closely to definition (3), but has built-in adjustment for sharpness of income differences .Discriminates between acceptable degrees of inequality. .Assumes a particular theory of social justice: that poverty down to one-half the median is justified but below that it is undeserved.	.Definition is not well known
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5. IMAS, DINADECO, INVU, PADCO	Minimum Infrastructure(index of deficiencies concerning social, economic, and physical facilities)	.Focus on substantive problems rather than monetary status of individuals .INVU PADCO and others have laid ground work .Identifies relative priorities for action by autonomous agencies.	The "minimum" package of needs will vary according to initial status of poverty (this might be interpreted as an advantage.)
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6. PAIXO, 1976 "Social and Economic Components", p. 32	Control over capital assets (Index referring to ownership of land, credit, and human capi- tal, i.e. education.)	Focuses on long-term capacity to generate income and future access to capital ra- ther than transitory income status.	Ignores collective individual to social vs. economic aspects of capital-for example cooperativ- ism, entrepreneurship, managerial skills, territorial identity, and defense of ter- ritorial interests.
<hr/>			
7. Substantial theoretical treatments of poverty causes and interven- tion.	Control over indirect forces re-creating poverty.	.Takes into account history of past program failures and successes. .Involves a "system" view of poverty processes. .Strong implica- tions for policy and program design.	.Implies policies serving potential small entrepreneurs, ignoring the severely deprived. .Very difficult to quantify. .Involves ideological interpretations of reality. .Requires unusual political commitment.

Appendix VI.B.

The Poverty Line

As part of this Urban Assessment, several poverty benchmarks were calculated for both urban and rural populations. Two poverty lines were calculated for each of several geographic areas --one, a poverty line and the second, a subsistence line.

The urban poverty line is based on a basket of goods and services that permits a nuclear family of 5.3 persons to satisfy its basic needs, taking into account the level of development of the country and the consumption habits of its population. The basket includes a nutritionally adequate diet, minimal clothing, modest housing, transport, and some entertainment. It does not include money to improve the educational level of family members through high school or university.

The urban subsistence line is 36 percent lower than the poverty line. The basket of goods comprising this line provide family members only minimal food, housing, and clothing requirements, with almost nothing for transport or recreation.

Poverty and subsistence lines reflecting differing consumption patterns and prices were also calculated for rural and urban populations outside of the Metropolitan Area.

The values of all poverty lines in 1973 and 1977 prices (in per capita terms) are given below:

	<u>1973</u>	<u>1977</u>
Poverty Line for Metro. Area	Q2000	Q3500
Subsistence Line for Metro. Area	1300	2300
Poverty Line, other urban	1800	3200
Subsistence Line, other urban	1200	2100
Poverty Line, Rural	1200	2100
Subsistence Line, Rural	800	1400

For the San José Metropolitan Area, these poverty and subsistence lines are composed of the following categories of expenditures:

	<u>1973</u>		<u>1977</u>	
	<u>Poverty</u>	<u>Subsist.</u>	<u>Poverty</u>	<u>Subsist.</u>
Food	Q949	Q720	Q1609	Q1238
Clothing	112	83	189	140
Housing	677	440	1300	847
Medicines	67	27	92	34
Recreation & Transport	192	32	329	60
	<u>1997</u>	<u>1302</u>	<u>3519</u>	<u>2319</u>

Details on what can be purchased with these income baskets follow in a separate table. However, in general terms we are talking about a subsistence level (1977 prices) in which a family of 5.3 each month can afford ¢263 for rent; less than 19 lbs. of meat and fish products; less than 20 lbs. of rice; approximately 27 litres of milk; ¢62 for clothing; and no films or other recreation.

The food requirements in the poverty line calculations were based on a study by INCAP of minimum calorie and protein needs in Costa Rica. This study, however, resulted in an expenditure figure of some 30 percent less than another study done by the University of Costa Rica -- thereby implying that the calculation of food requirements are indeed minimal.

URBAN POVERTY AND SUBSISTENCE LINES (FAMILY PER MONTH)

GOODS	UNITS	Basket 2 a/ (Quantity)	Basket 2 b/ Quantity	Price 2/1974	Basket 1	Deflator	Basket 2	Basket 2	Aug. Price Index May/June 1977 (1964=100)	Basket 2	Basket 2
					(2/1974)		(2/1974)	(2/1973)		(2/1974)	(2/1977)
1. FOOD					562.69		419.23	318.14	-	710.60	546.97
Seeff (low grade)	Pound	31.655	8.633	4.850	56.53	0.847	47.88	35.47	1.000	56.53	41.88
Soup bones	"	9.991	7.401	1.557	15.56	0.935	14.55	10.78	0.797	12.40	9.19
Liver	"	2.264	1.677	3.563	8.07	0.969	7.82	5.79	0.887	7.16	5.30
Sausage	"	1.593	--	5.209	8.30	0.765	6.35	--	1.518	12.60	--
Fish	"	1.543	1.143	4.560	7.04	0.742	5.22	3.87	1.249	8.79	6.51
Rice	"	26.489	19.621	1.389	36.79	0.834	30.68	22.73	1.150	42.31	31.34
Noodles	"	5.506	4.079	2.273	12.52	0.523	6.55	4.85	0.917	11.48	8.50
Bread	4 oz.	100.962	74.787	0.664	67.04	0.523	35.06	25.97	1.130	75.76	56.11
Tortillas	Pkt of 9	19.643	19.643	0.720	14.14	0.701	9.91	9.91	1.249	17.66	17.66
Black beans	Pound	13.878	9.279	2.185	30.32	0.505	15.31	10.24	1.208	36.63	24.49
Red Beans	"	4.257	2.846	1.930	8.22	0.723	5.94	3.97	1.368	11.24	7.51
Onions	"	3.808	3.808	1.363	5.19	1.007	5.23	5.23	1.122	5.82	5.63
Onions	one	4.113	3.332	0.460	1.89	0.820	1.55	1.26	1.788	3.38	2.75
Onions	Pound	8.268	6.697	0.812	6.71	0.903	6.06	4.91	1.956	13.12	10.64
Potatoes	"	21.164	21.164	1.051	22.24	0.872	19.39	19.40	1.719	38.23	38.24
Cassava (yuca)	"	5.770	5.770	.613	3.54	0.617	2.18	2.18	1.093	3.87	3.86
Carrots	"	4.144	3.357	.930	3.85	0.940	3.62	2.93	1.672	6.44	5.21
Chayotes	one	16.130	16.130	.438	7.06	0.780	5.51	5.51	1.637	11.56	11.56
Plantains (ripe)	"	16.620	34.255	.421	7.00	0.649	4.54	9.36	1.765	12.36	25.46
Plantains (green)	"	7.177	25.019	.350	2.51	0.649	1.63	5.68	2.123	5.33	18.58
Garlic	head	3.543	2.624	.282	1.00	0.820	0.82	0.81	1.566	1.57	1.16
Green beans	Pound	1.509	1.222	1.270	1.92	0.770	1.48	1.19	1.838	3.53	2.84
Lettuce	one	3.957	3.205	.737	2.92	0.822	2.40	1.94	1.892	5.52	4.47
Oranges	"	40.622	30.090	.278	11.29	0.933	10.53	7.80	2.266	25.58	18.94
Bananas	"	25.694	86.512	.170	4.37	0.755	3.30	11.10	1.409	6.16	20.72
Milk	0.667 liter	55.612	41.194	1.291	71.80	0.694	49.83	36.91	1.326	95.21	70.52
Eggs	one	79.146	56.940	.439	34.75	0.307	28.04	20.17	1.249	43.40	31.22
Ice Cream	box	6.152	--	.762	4.69	0.752	3.53	2.61	1.430	6.71	--
Vegetable oil	pounds	7.555	4.409	2.476	18.71	0.799	14.95	8.72	1.202	22.49	13.12
Margarine	115 grs.	7.591	--	1.196	9.08	0.799	7.25	5.37	1.001	9.09	--
Sugar	pound	20.538	15.213	.759	15.59	0.733	11.43	8.47	1.707	26.61	19.72
Dulce de tapa	one	1.523	1.128	2.416	3.68	0.722	2.66	1.97	1.548	5.70	4.22
Salt	Pound	8.042	5.957	.479	3.85	0.843	3.25	2.41	1.042	4.01	2.98
Annatto & cumine	envelope	9.859	7.303	.220	2.17	0.677	1.47	1.09	1.264	2.79	2.07
Annatto	one	8.902	6.594	.254	2.26	0.981	2.22	1.64	1.014	2.29	1.70
Corriander	roll	11.200	8.296	.160	1.79	0.820	1.47	1.09	2.466	4.41	3.28
Coffee	Pound	6.702	1.027	4.258	28.54	0.855	24.40	3.74	1.179	33.65	5.16
Water outside house	one	4.000	--	4.940	19.76	0.770	15.22	11.27	0.972	19.21	14.23

GOODS	UNITS	Basket 1 (Quantity)	Basket 2 (Quantity)	Price 2/1974	Basket 1 (2/1974)	De-Flator	Basket 1 (2/1973)	Basket 2 (2/1973)	Avg. Price Index May/June 1977 (1964=100)	Basket 1 (2/1974)	Basket 2 (2/1977)
<b>2.- Clothes &amp; Footwear</b>					<b>83.27</b>		<b>49.67</b>	<b>56.74</b>		<b>83.37</b>	<b>61.78</b>
<b>2.1 Men</b>					<b>19.02</b>		<b>14.85</b>	<b>10.99</b>	<b>0.900</b>	<b>21.58</b>	<b>15.97</b>
Jackets	one	.017	.013	47.000	0.80	0.803	0.64	0.47	0.900	0.72	0.53
Trousers	"	.167	.124	40.000	6.68	0.745	4.98	3.69	0.856	5.72	4.24
Shorts	"	.250	.185	8.700	2.18	0.712	1.55	1.15	0.937	2.03	1.50
Socks	"	.167	.124	6.500	1.09	0.832	0.91	0.67	1.542	1.68	1.24
Handkerchiefs	"	.167	.124	6.400	1.07	0.712	0.76	0.56	1.255	1.34	0.99
Shirt	"	.167	.124	25.000	4.18	0.852	3.56	2.64	1.442	6.03	4.47
Shoes	"	.067	.050	45.000	3.02	0.811	2.45	1.81	1.345	4.06	3.00
<b>2.2 Women</b>					<b>17.12</b>		<b>13.96</b>	<b>10.34</b>		<b>22.13</b>	<b>16.40</b>
Skirts	"	.067	.050	40.000	2.68	0.745	2.00	1.48	0.980	2.63	1.95
Blouse	"	.167	.124	33.000	5.51	0.908	5.00	3.70	1.451	8.00	5.91
Pants	"	.167	.124	5.250	0.88	0.733	0.65	0.48	1.722	1.52	1.13
Underwear	"	.167	.124	9.000	1.50	0.790	1.19	0.88	1.734	2.60	1.93
Trousers	"	.100	.074	40.000	4.00	0.745	2.98	2.21	0.980	3.92	2.91
Shoes	"	.067	.050	38.000	2.55	0.841	2.14	1.59	1.357	3.46	2.57
<b>2.3 Children (Boys)</b>					<b>11.88</b>		<b>8.97</b>	<b>6.65</b>		<b>16.05</b>	<b>11.91</b>
Trousers	"	.167	.124	16.300	2.72	0.769	2.09	1.55	1.533	4.17	3.09
Shirt	"	.167	.124	15.000	2.51	0.721	1.81	1.34	1.553	3.90	2.89
Socks	"	.167	.124	4.800	0.80	0.832	0.67	0.50	1.652	1.32	0.99
Shoes	"	.167	.124	35.000	5.85	0.752	4.40	3.26	1.139	6.66	4.94
<b>2.4 Children (girls)</b>					<b>10.02</b>		<b>7.73</b>	<b>5.72</b>		<b>16.30</b>	<b>12.06</b>
Trousers	"	.125	.093	16.300	2.04	0.769	1.57	1.16	1.267	2.58	1.91
Stockings	"	.167	.124	5.000	0.84	0.832	0.70	0.52	1.511	1.27	0.94
Blouse	"	.167	.124	16.500	2.76	0.721	1.99	1.47	1.729	4.77	3.51
Shoes	"	.125	.093	35.000	4.38	0.793	3.47	2.57	1.753	7.68	5.61
<b>2.5 Babies</b>					<b>5.23</b>		<b>4.10</b>	<b>3.04</b>		<b>7.31</b>	<b>5.4</b>
Dress	"	.083	.061	28.000	2.32	0.844	1.96	1.45	1.122	2.60	1.9
Bab & garment	"	.250	.185	3.800	0.95	0.730	0.69	0.51	1.310	1.24	0.9
Shirt	"	.200	.148	3.700	0.74	0.705	0.52	0.39	1.257	0.93	0.7
Stockings	"	.125	.093	2.800	0.35	0.705	0.25	0.19	1.586	0.56	0.4
Shoes	"	.083	.061	10.500	0.87	0.776	0.68	0.50	2.273	1.98	1.4

GOODS	UNITS	Basket 1 (Quantity)	Basket 2 (Quantity)	Price €1974	Basket 1 (€1974)	Deflator	Basket 1 (€1973)	Basket 2 (€1973)	Avg. Price Index July/Aug 1977 (1973=100)	Basket 1 (2197-)	Basket 2 (21972)
<b>3.- Housing, Furniture &amp; Maintenance</b>											
Rent	One	.960	.711	267.159	396.15	.311	299.24	194.38	1.384	574.12	374.37
Broom	"	.333	.247	10.228	256.47	.718	208.00	154.07	1.545	354.95	262.93
Toilet paper	Roll	5.000	--	1.427	7.14	.695	4.96	--	1.154	5.27	3.89
Soap	Bar	6.000	4.444	1.457	8.74	.658	5.75	4.26	1.260	8.24	--
Detergent	Box	3.000	2.222	2.500	7.50	.764	5.73	4.24	2.441	11.79	8.29
Insecticide	Bottle	.874	.647	3.680	3.22	.699	2.25	1.67	0.865	15.31	13.55
Desinfectant	"	.930	.689	3.341	3.11	.699	2.17	1.61	1.058	2.79	2.07
Electricity	342 Kwh	.600	.444	65.290	39.17	.502	19.66	14.56	1.944	3.29	2.44
Light bulbs	one	.500	.370	2.430	1.22	.699	0.85	0.63	1.562	76.15	56.38
Candle	one	2.456	1.819	0.340	0.84	.699	0.59	0.44	0.762	1.91	1.41
Matches	box	8.370	6.200	0.200	1.67	.746	1.25	0.93	1.250	0.64	0.48
Canfin	liter	20.000	--	0.847	16.94	.96	8.40	--	1.104	2.09	1.56
Water	Tariff	.474	.351	12.950	6.14	.900	4.91	3.64	1.264	16.70	--
Dining set	one	.010	--	800.000	8.00	.780	6.24	--	1.975	7.76	5.75
Television	one	.008	--	2500.000	20.00	.62	17.24	--	1.975	15.60	--
Beds (individual)	one	.007	.005	350.000	2.45	.746	1.83	1.36	1.300	25.00	--
Iron	"	.004	.003	70.000	0.28	.769	0.82	0.16	1.574	3.66	2.87
Sheets	"	.125	.093	30.000	3.75	.712	2.67	1.98	1.151	0.32	0.24
Spread	"	.042	.031	30.000	1.26	.648	0.82	0.61	1.396	5.24	3.88
Towels	"	.125	.093	10.000	1.25	.712	0.89	0.66	2.561	3.23	2.41
Cooking pot	"	.083	.061	15.000	1.25	.811	1.01	0.75	1.843	2.50	1.71
Glasses	"	.417	.309	1.033	0.43	.555	0.24	0.18	1.133	1.42	1.05
Dishes	"	.250	.185	6.000	1.50	.555	0.83	0.61	1.474	0.63	0.48
Spoons	"	.292	.216	1.454	0.42	.666	0.28	0.21	2.143	3.21	2.36
									1.964	0.82	0.62
<b>4.- Medicine &amp; Hygiene</b>											
Alcohol	2 oz.	1.214	.899	0.416	34.23	.300	29.47	12.12	0.960	40.80	15.09
Cotton	25 grs.	.047	.035	2.119	0.10	.200	0.41	0.30	0.49	0.49	0.36
Liniment	bottle	.475	.352	1.950	0.93	.800	0.08	0.06	1.081	0.11	0.08
Aspirin	envelop	5.682	4.209	0.242	1.38	.600	0.74	0.55	1.153	1.07	0.79
Alka Seltzer	"	3.497	2.590	0.380	1.33	.800	1.10	0.81	1.233	1.70	1.25
Soap	one	5.000	--	1.222	6.11	.665	1.06	0.79	1.263	1.68	1.25
Toothpaste	tube	2.500	1.852	3.977	9.94	.59	5.29	6.55	1.361	8.32	--
Razor blades	one	7.000	5.185	0.405	2.84	.3	2.79	2.07	1.070	10.64	7.88
Talcum powder	pocket	.400	0.296	1.712	0.68	.55	0.51	0.38	1.116	3.17	2.35
									1.253	0.85	0.63

GOODS	UNITS	Basket 2 (Quantity)	Basket 2 (Quantity)	Price (\$1974)	Basket 1 (\$1974)	Deflator	Basket 1 (\$1977)	Basket 2 (\$1973)	Avg. Price Index May/June 1977 (1964=1.00)	Basket 1 (\$1974)	Basket 2 May/June (\$1977)
Deodorant	btl.	1.000	--	6.391	6.39	0.873	5.58	--	1.240	7.92	--
Sanitary napkins	bx.	.576	--	5.180	2.98	0.735	2.19	--	1.401	4.17	--
Bitumen (Shoe polish)	bx.	1.000	.741	1.036	1.04	0.800	0.83	0.61	0.656	0.68	0.50
5.-Recreation & Transport					103.10					145.42	26.59
Film	ticket.	5.000	--	3.398	16.99	0.873	84.82	14.22	1.776	30.17	--
Newspaper	one	5.000	3.704	0.460	2.30	0.543	14.83	--	1.800	4.14	3.08
Cigarettes	pkt.	10.000	--	1.458	29.16	0.896	1.25	0.93	1.539	44.88	--
Beer	btl.	6.000	--	2.521	15.13	0.940	26.13	--	1.254	18.97	--
Liquor	btl.	0.750	--	16.787	12.59	-0.830	14.22	--	1.234	15.54	--
Transportation (bus)	one trip	75.000	55.556	0.359	26.93	0.666	10.45	13.29	1.178	31.72	23.51
6.-TOTAL		--	--	--	1,159.45	--	882.32	575.60		1,554.31	1,024.80

a/ Basket 1 determines the "Poverty Line"

b/ Basket 2 determines the "Subsistence Line"

Chapter VII. SOCIAL ANALYSIS OF THE POOR  
AND COMMUNITY ORGANIZATION

CONTENTS

	<u>Page</u>
A. Summary and Policy Conclusion	91
B. The "Tugurio" as Target of Program	91
C. The "Tugurio" as Unit of Analysis	92
D. Three Major Types of Tugurios	93
1. Type I: Concentrated	94
2. Type II: Dispersed	95
3. Type III: Unstable Pockets	98
E. Analysis and Policy Design	98
F. Tugurio Organization	99

CHAPTER VII. SOCIAL ANALYSIS OF THE POOR  
AND COMMUNITY ORGANIZATION

A. Major Findings and Policy Conclusions

- Although data in this section concentrate on tugurio poor, this poverty group makes up only one-fourth of the Metropolitan Area's total poor. Therefore, the problem of urban poverty cannot be viewed simply in physical terms as a tugurio problem. Intervention policies must also consider the needs of isolated individuals.
- Tugurios are classified in three types: (1) concentrated tugurios which formed immediately after World War II and which occupy large, continuous, and clearly bounded zones; (2) dispersed tugurios which formed during the 1960s and in which poverty housing is mixed with higher standard units; and (3) unstable pockets in which small and isolated groups live, sometimes the result of invasions.
- Socio-economic characteristics vary little between these groups, although a significantly higher proportion of Type II and Type III poor are migrants.
- Costa Rican tugurios are relatively well organized and capable of mobilizing themselves for collective action. Also, some two-thirds of the people interviewed said they would turn to local government or political channels for action on grievances.
- Community development programs must be geared to the expressed needs of the community and must involve considerable local participation in planning and implementation.

B. The Tugurio as Target of Programs

This chapter will concentrate on tugurios, whose population of 73,750 comprises 15 percent of the total Metropolitan Area population (1973 figures). This is not to say that poverty should be dealt with only in the tugurio context, as a spatially concentrated phenomenon. The major thrust of any truly embracing urban poverty strategy must also address poor people outside tugurios, as individuals, families, or small clusters. For policy purposes, this requires building into

all public services the capacity to be sensitive and responsive to the special needs of the poor including their problems of knowing about available help, asking for it, and absorbing it. This applies to all normal and specialized services, from education, health, and transportation to nutrition, job creation and family allowances, as well as programs yet to be devised. Creation of stronger links among physically separated poverty groups might also be a strategy worth exploring, aimed at strengthening their participation in discussion of productive service, formation of cooperatives, mutual aid arrangements, and other processes. Integrated through these channels, poor people outside of tugurios may be more effectively recognized and served than they would be as individuals isolated and lost within the Metropolitan Area as a whole.

It is generally acknowledged that the poor living within tugurios, although representing only about one fourth of San José's poor population, may be easier to serve logistically because of their spatial concentration. Also, their visibility makes them a natural first target of public policy.

The physical compactness of the tugurio, however, inspires interventions of a type that concentrate on physical aspects of the problem or treat the tugurio as if it were a more or less homogeneous community: housing, employment generation, community facilities, eradication, health clinics and public works illustrate such typical interventions. In time, these begin to define for policy-makers their very conception of poverty, to the neglect of other poverty conditions and needs. However, a strong countervailing view of the different problems of poverty among spatially dispersed individuals is necessary for the development of a more balanced set of overall intervention policies. Neither the tugurio-centered nor the broader approach is "correct" except to the extent that it can be carefully weighed against other views of the problem, creating real choices of emphasis and program mix in dealing with any given population group. Although it is recognized that poverty is found outside the tugurio, the available data, and therefore this study, focus on poverty as a tugurio phenomenon.

### C. The Tugurio as Unit of Analysis

The tugurio sample used in this study is based on census tract boundaries, each tugurio being one tract or group of tracts. These census-based units are referred to as "zonas". INVU and other agencies sometimes use a different way of drawing tugurio boundaries, based on "natural" borders such as rivers, railroad tracks, proposed or existing highways, clear and stable divisions between rich and poor neighborhoods, and other demarcations. Defined in this way, poor areas are referred to as "nucleos". They are considered relatively well defined neighborhoods, and appropriate units for poverty

intervention programs attempting to deal with communities as integrated wholes.

A consortium of Costa Rican agencies are presently focusing on the nucleo definition of tugurios in the specific context of housing and employment generation projects. (The consortium includes OFIPLAN, the Labor Ministry, the Central Bank, MEIC, INVU, TNA, DINADECO, IFAM, and IMAS.) To keep clear the distinction between nucleos and zonas, one should note that: zona and nucleo boundaries do not coincide except by happenstance, although the two types of units naturally overlap in many cases, because they are both being used to identify concentrations of poverty. Both zonas and nucleos oversimplify the problem of identifying locations of poverty in the Metropolitan Area. As noted repeatedly in this assessment, more than three-quarters of the poor live outside well-defined tugurios. Based on census data from the zonas, it also is clear that substantial numbers of non-poor live in tugurios along with poor residents. This is not to say that tugurios are middle-class and do not need help. The problem is that many poor people in Costa Rica are quickly hidden by the use of averages whether one looks at data on the national level, the Metropolitan area or the individual tugurio.

Throughout this Urban Sector Analysis, the unit of analysis will be the zona, and it should be kept in mind that this is different from the nucleo focus being used for the pre-project analysis of housing and income generation. Zonas are the best units to use for purposes of analysis (as in this report) because they correspond to census tracts and can draw on a wealth of existing data. As such zonas probably are more sensitive to poverty analysis and location than nucleos. On the other hand, nucleos have possible advantages in regard to program design and implementation, because they simplify the conceptual location of poverty on maps, and represent more agglomerated targets for service delivery.

#### D. Three Major Types of Tugurios

The INVU identification of areas denoted tugurio zonas reflects both subjective judgment on conditions seen in the field, and census information on socio-economic and physical indicators. OFIPLAN staff have taken the INVU list of 108 tugurios, and broken these down into three major types.

1. Type I: Concentrated ("circunscrito" or "continuo"). Tugurios in large, continuous, and clearly bounded zones, easily recognizable. Generally formed in the period immediately after World War II. 1973 population: about 16,000, which is 22 percent of the tugurio population and three percent of the total Metropolitan Area.

2. Type II: Dispersed ("diseminado"). Poverty and poor housing mixed with higher standard units. Of more recent formation, and attributed largely to influx of migrants during the 1960's. Population about 30,000 or 41 percent of the tugurios and six percent of the Metropolitan Area.

3. Type III: Unstable pockets ("focalizado"). Generally small and isolated groups of diverse age and origin, clearly demarcated in strips and pockets, sometimes the result of invasions. They are relatively unstable. Population: 27,000 or 36 percent of the tugurio population and 5 percent of the Metro. Two-thirds of this population is located on private land, and one-third on municipal land.

Differences in socio-economic characteristics of these three groups are not extremely marked, although some variations can be detected (discussed below) and suggest the possible need for their differential treatment as targets of poverty intervention policies.

Type I Tugurios: Concentrated. These make up the smallest proportion of the total tugurio population --a fact which in itself is interesting since these concentrations represent the usual stereotype of urban slums. Moreover, as the dominant poverty stereotype, concentrated tugurios tend to be the principal objective of public policy.

This point is specially relevant because other types of tugurios, though not as large or visible knitted together, may have cohesive elements not well captured by INVU's (basically physical) description of each area. In contrast, the concentrated tugurios offer relatively well defined targets for delivery of poverty intervention programs, and therefore offer better possibilities of coordination among agencies around needs of specific zones.

There is theory and evidence from studies made in other Latin American cities that cohesive slum areas, far from being a problem, serve actually as a solution to many of the basic needs of low-income people. It has been shown elsewhere that well-established slums offer a micro-society of opportunities for upward mobility; they tend to be self-policing; the shelter (though unappealing by middle-class standards) tends to reflect rational economic choice in terms of the amount of investment affordable and the kinds of raw materials used. As a consequence, this type of concentrated tugurio, which may be the most viable and "rational" form of urban poverty, is precisely the kind most vulnerable to extermination by eradication policies. What makes them suitable for integrated policies of poverty intervention -- and socially organized to take advantage of such programs -- also

makes them easy targets for bulldozers.

Comparing socio-economic characteristics of Type I (Concentrated) tugurios with the other two types, there are few dramatic differences, but the following points are notable. (See Table 1 which follows.)

- Labor participation rates are slightly lower for men and higher for women, compared to Types II and III tugurios. (See rows 7 and 9 of Table 1).
- Slightly more family heads are working in the tertiary (services) sector and fewer in the secondary (manufacturing) sector (rows 11, 12).
- A greater percentage of the houses owned by residents are in "bad" condition (row 20).
- A significantly lower proportion of houses are owned, possibly due to the more established character of the economic infrastructure in Type I tugurios (which are oldest), and the greater specialization of economic functions in such areas.
- A very low percentage of families are migrants. The figure of 10 percent is far below that of Type II and III tugurios, and far below the Metropolitan Area average (18 percent) -- a rather dramatic finding.

This last finding reflects the old, established nature of Type I (Concentrated) tugurios, and further indicates that there is a relatively low rate of population turnover within such areas. Such areas are neither attractive nor expulsive in character, but stable. In short, their inhabitants are "loyal to home", if voting with one's feet means anything.

Type II Tugurios: Dispersed. The more recent formation of these areas may explain some of their distinctive socio-economic characteristics, although only a few of these are striking.

- Residents are somewhat poorer on average than those in Type I and III tugurios (rows 5, 6).
- Family size is somewhat larger (row 3).
- Male labor force participation rates are high and female rates are low, an exaggeration of the way that tugurios generally differ from non-tugurio areas (rows 7, 9).

TABLE 1

## SOCIO-ECONOMIC CHARACTERISTICS OF THREE TUGURIO TYPES

	Total Metrop. Area	Non-tugurio Metrop. areas	Total Tugurios	Type I Concentrated	Type II Dispersed	Type III: Unstable Pockets	
						On Munic. land	On private land
1. No. of families	94,442	81,203	13,239	3,148	5,134	1,663	3,294
2. No. of individuals	501,316	427,566	73,750	16,547	30,211	9,348	17,644
3. Pct. fam. $\geq$ 8 persons	18%	18%	23%	20%	26%	24%	20%
4. Pct. fam. heads 45 yrs. or older	43%	44%	39%	41%	36%	38%	39%
5. Med. fam. income (Colones)	20,512	21,686	13,313	13,068	12,311	14,716	14,403
6. Med. percap. income (¢)	3,082	3,300	2,140	2,317	1,848	2,358	2,430
7. Labor partic.-males	83%	82%	90%	87%	92%	89%	88%
8. Unemployt.-males	7%	6%	9%	9%	11%	9%	8%
9. Labor partic.-fem.	34%	34%	29%	31%	25%	31%	31%
10. Unemployt.-fem.	2%	2%	5%	5%	6%	6%	3%
11. Pct. fam. heads in secondary econ. sec.	25%	24%	32%	28%	33%	31%	33%
12. Pct. fam. heads in tertiary econ. sector	52%	53%	46%	50%	42%	48%	47%
13. Pct. fam. heads with no formal education	5%	4%	8%	7%	10%	7%	8%
14. Pct. econ. active males w/no formal educ.	2%	2%	4%	3%	6%	4%	4%
15. Pct. econ. act. fem. w/some primary educ.	18%	18%	20%	20%	19%	21%	21%

TABLE 1 (page 2)

	Total Metrop. Area	Non-tugurio Metrop. areas	Total Tugurios	Type I Concentrated	Type II Dispersed	Type III: Unstable Pockets On Munic. land    On private land
16. Pct. persons w/incomes < \$1,300/yr.	20%	-	32%	28%	38%	26%
17. Pct. persons w/incomes > \$2,000/yr.	64%	-	46%	50%	38%	53%
18. Pct. of families who are migrants	18%	-	21%	10%	30%	16%
19. Pct. Houses owned (not rented)	58%	-	50%	35%	61%	48%
20. Pct. owned houses in "bad" condition	14	-	31%	35%	27%	33%

SOURCE:

1973 Census.

Type II Tugurios: Unstable Pockets. There is not much to distinguish these tugurios generically from the other two types, probably because the typology represents a residual mix of differing poverty circumstances not clearly falling into the other two categories. Whereas Types I and II are associated with particular historical periods (the post war and the sixties), these represent a more varied set of origins. The distinction within Type III tugurios, as to their location on public vs. private land, is important from the standpoint of what can or should be done with them; but otherwise there is no discernible difference between them, or between the generic Type III and the average tugurio experience elsewhere.

The one notable feature of Type III tugurios is their slight advantage with respect to income levels which are higher here than the tugurio average. However, incomes still are way below other Metropolitan areas, despite the fact that these other non-tugurio areas of San José contain a substantial majority of the city's poor.

Further work might be done in making finer distinctions among various types of pockets making up the sample of Type III tugurios. INVI, in collaboration with others, has suggested a ten-part typology of poverty nucleos, which may capture qualities of tugurio environment not picked up in the census data analysis of the zonas analyzed in this chapter. As mentioned earlier, the definition of nucleos takes into account certain subjective impressions (for example, the quality of "rural life style" sometimes encountered within the city itself), and is probably more sensitive to special circumstances affecting individual nucleos. These have important bearing on policy design and appropriate flexibility in implementation of programs.

## II. Analysis and Policy Design

There are many pitfalls in analysis that come from aggregating diverse experience under a single heading, which is undoubtedly the case of Type III tugurios. Even graver errors follow from designing policy on the basis of abstracted data, with inadequate appreciation of historical perspective on the origin of problems, or the concrete setting of problems, or the way these problems appear to people affected by them in their daily lives. Further analysis of tugurio typologies and policy design implications should proceed on the basis of methodologies that require the analyst to spend a large proportion of time face-to-face with people and problems in the field.

In addition, time should be devoted to careful study of anomalies that represent success in dealing with poverty conditions. One might look at row 10 of the previous table, for example, and ask the reason why women participants in the labor force of Type III tugurios that

are located on private land have such a relatively low rate of unemployment. Or one might conduct field surveys that explore people's knowledge, not just about themselves and their problems, but about successful programs they have encountered or heard about, which might merit increased support from the Costa Rican Government or technical assistance agencies. The latter approach, in particular, would help involve tugurio residents in more active roles in guiding development efforts affecting their own communities. As pointed out in a PADCO report for AID's Office of Housing, the success of community development programs depends on the degree of community participation in planning and implementing programs. Local talents and resources should be used to the maximum extent possible.

#### F. Tugurio Organizations

Information on tugurio organizations is available from three principal sources: DINADECO, IMAS, and the household survey carried out for this Urban Sector Analysis. The survey data have not been fully analyzed, but some preliminary findings can be cited here.

Table 2 indicates that there is no single form of community organization that attracts the active participation of more than 10 percent of tugurio inhabitants. Education groups are most important in this respect, followed by Community Development Associations, political parties, labor unions, church groups and cooperatives. Municipality-associated groups generate lesser numbers of participants as do nutrition committees.

In most cases, the participation rate is on the order of five percent, and this rate is remarkably even among the different types of organizations and sectoral concerns shown in Table 2. Five percent may not appear very high, but it is necessary to keep in mind that:

- Different people belong to different organizations, so the total participation rate is considerably higher.
- Responses probably refer to continuous participation, but a short-term basis, for purposes of seeking action on specific issues, the number of people involved may be higher than shown.
- The rate probably varies from one tugurio to the next both in overall rate of participation and in relative strength of different types of organizations. Rates probably also vary within tugurios, from one block to the next, and from one time to another, depending on particular needs and local events.

TABLE 2

PARTICIPATION RATES (PERCENT OF RESPONDENTS) AMONG RESIDENTS OF TUGURIOS  
IN THE SAN JOSE METROPOLITAN AREA. 1977 DATA FROM OFIPLAN SURVEY, BY  
TYPE OF ORGANIZATIONS ATTENDED

Communal and Local Government Organiza.	Participation Rates					Rank
	Members	Yes Attend.	Total	No.	Total	
Municipality	1.0	3.3	4.3	95.7	100.0	7
School Board	1.7	7.4	9.1	90.9	100.0	1
Community Dev. Assoc.	2.0	4.1	6.1	93.9	100.0	2
Nutrition Center Comm.	0.6	1.4	2.0	98.0	100.0	8
Cooperative	2.1	3.0	5.1	94.9	100.0	6
Church Board	2.2	3.1	5.3	94.7	100.0	5
Some political party	2.4	3.3	5.7	94.3	100.00	3
Some labor union	3.1	2.5	5.6	94.4	100.0	4
Other	3.3	5.0	8.3	91.7	100.0	-

- A five percent rate of active participation is perhaps not low compared to other groups in Costa Rica, or tugurio-based populations in other countries (but no data are presently available on this).
- The intensity of participation varies from one type of organization to the next. For example, "attendance" is high in education, but "membership" low, while the reverse is true for labor unions. The quality of "membership" also undoubtedly varies, calling upon different degrees of commitment and hours spent and extent of initiative called forth, depending on the type of organization.

Table 3 turns attention from the question of continuous participation in specific organizations to the question of which channels tugurio residents would turn to for action on ad hoc or general grievances. <sup>1/</sup> About a third would rely on existing local government (municipality -- 11 percent; Community Development Association - 21 percent); another third would use political channels (congressional representative - 19 percent, political party channels - 4 percent); while another third would use ad hoc arrangements (organizing meetings with neighbors - 28 percent, organizing strikes - 3 percent). There is a small category of unspecified measures that people would take (14 percent), but only 3.5 percent of the sample of 517 adults said they would do nothing. In real situations people might act differently than shown in their response to the hypothetical survey question, but there was very little overt cynicism or indifference in these returns, given the mere 3.5 percent of "do nothing" responses.

Costa Rica's social and political analysts have also commented upon the political role of such community based organizations and their relationship with official support systems. They point out that the Government works at different levels of formal and informal support to maintain influence over these neighborhoods. It establishes the greatest possible number of intermediaries, and thus diffuses power. It also supplies a complicated network of concessions to local leaders, who are concerned about their own personal interests and consequently minimize conflict with or questioning of the political machinery. A scheme of mutual manipulation is established in which the Government or other established source of power supplies the necessary aid and protection against legal and illegal activities of authority, while

---

1/ The data in Table 3 show responses to the specific question, "In a case where the Government is not treating you justly, which mechanism do you think would produce fastest results?"

TABLE 3

TUGURIO RESIDENT OPINIONS ON EFFECTIVE MECHANISMS FOR CONFRONTING  
GOVERNMENT AGENCIES WITH LOCAL PROBLEMS

Mechanisms	Number	Percentage
Established Institutions		
Municipality	57	11
Community Development Association	109	21
		32
Political Channels		
Congressional representative (diputado)	98	19
political party representative	18	3
		22
Ad hoc Measures		
organize meetings with neighbors	146	28
organize a strike	18	3
		31
Other	53	10
Do nothing	18	3
Total sample (adults)	517	100

the client responds with demonstrations of confidence, information about the activities of other groups, and political support. In this way, the state apparatus avoids conflicts and manifestations of violence through mechanisms of negotiation and transaction, thus influencing the communal and political attitudes of poor persons.

There is some evidence and local testimony about Costa Rican tugurios to suggest they are more organized and capable of mobilizing themselves for collective action than might be perceived by inventories of established agencies operating on their behalf. The first mechanism that tugurio people rely upon is meeting with neighbors (28 percent of responses in Table 3), followed by working through the Community Development Association (21 percent). This indicates a tendency toward self-reliance, and/or distrust of traditional mechanisms (note the relatively low use of municipal channels). It has also been observed by people who have worked in tugurios areas that residents spontaneously organize themselves into pressure groups for purposes of getting immediate action on well-focused problems, for example, securing rights to land where people are subject to expulsion. Once the objective has been met, the group often dissolves. This does not conform to the usual bureaucratic view of an effective organization, and this makes it hard for traditional service agencies to deal with them. Nevertheless, tugurio residents are perhaps wise in avoiding bureaucratic methods and standards of efficiency in dealing with the kind of problems they face. This willingness to organize, however, does provide opportunities to develop meaningful community development programs which are based upon local desires and which are implemented by local talent.

Chapter VIII. EMPLOYMENT

CONTENTS

	<u>Page</u>
A. Major Findings and Policy Conclusions	106
B. Introduction	108
C. Evolution of Employment in Costa Rica	108
1. Economy Wide Changes	108
2. Sectoral Changes	108
3. Regional Changes in Employment	110
D. Overall Availability of Workers	111
1. Changes in the Demographic Framework	111
2. Changes in Labor Force	111
E. Underutilization of Workers	111
1. Open Unemployment	111
2. Underemployment	112
F. The Employment Situation in the San José Metropolitan Area	112
1. Availability of Human Resources	112
2. Employment and Unemployment	113
3. Underemployment	113
G. Unemployment in the San José Tugurios	114
1. Background	114
2. Unemployment Rates	114
3. Numbers of Unemployed	117
4. Underemployment	118
H. Employment, Income, and Labor Market Characteristics in the San José Tugurios	119
1. Employment	119

	<u>Page</u>
2. Potential Labor Force Entrants	119
3. Previous Job Experience	120
4. Occupational Characteristics	120
5. Working Conditions and Experience	121
6. Entry Requirements and Information Networks	122
7. Job Search Mechanisms Among Those Seeking Work	123
8. Sources of Income	123
9. Training	124
10. Policy Recommendations Relating to Tugurios	125
I. Small-Scale Businesses	125
1. Workforce	126
2. Demand for More Labor	126
3. Additional Credit and New Employment	126
J. Larger Firms, Unfilled Vacancies, and Training Needs	127
K. Projections and Labor Market Analysis	128
1. Signs of Labor Market Failure	128
2. Labor Markets in San José	129
3. The Short-Term Future	130
L. Employment Policy Recommendations	131
1. Demand Side of the Labor Market	131
2. Supply Side of the Labor Market	132
3. Tugurio-Specific Employment	133
M. Beyond Employment Policy	133

TABLES

## Chapter VIII. EMPLOYMENT

### A. Major Findings and Policy Conclusions

- The country's highest labor participation rate exists within the San José Metropolitan Area, with the bulk of people working in the manufacturing, services, and commerce sectors.
- Preliminary data suggest that the employment situation in the tugurios is worsening, especially serious when compared to the entire Metropolitan Area where the unemployment rate dropped between 1973 and 1977. Male unemployment rates reach 25 percent and female rates 11 percent for the Metropolitan Area poor.
- Unemployment rates are almost identical for the poor living in tugurios and other San José neighborhoods. There are also high rates of underemployment.
- Unemployment rates for tugurio men in the 45-65 year age group are much higher (10 times) than for men of the same age in the rest of San José and significantly higher (double) than for tugurio women. This important male group will need to be given special consideration in developing new employment opportunities.
- Contrary to at least one previous local study suggesting that most urban poor are part of an "informal" employment sector in which employment is transitory and self-employment is common, the present survey found only one-sixth of San José's tugurio residents can be so classified. On the other hand, the small scale enterprise sector was found to be an important source of regular employment for tugurio residents.
- The vast majority of tugurio job-holders found employment through informal information networks, rather than through advertisements or employment services. There was however a strong expressed interest, and for many an expressed need, to undergo additional job training.
- Labor markets in Costa Rica appear to be working reasonably well in the Metropolitan Area, and no major gaps in the composition of labor supply are envisaged.
- There are a number of employment policies which the Government can use to stimulate the demand for labor -- appropriate factor prices, intermediate technology, public service employment for the hard-core unskilled, and support for worker-

owned labor intensive firms -- and the supply of labor -- strengthening the Employment Service, improved apprenticeships and short courses, and subsidized on-the-job training.

- These supply side recommendations can be especially sensitive to the needs of specific poverty groups. Employment Service branches are among the most direct supply-oriented programs.

## Chapter VIII. EMPLOYMENT

### B. Introduction

Poverty is, in part, related to jobs and earnings. Not all poverty, however, can be accounted for in this fashion, as the chapter on poverty has explained. But the appeal of putting unemployed people to work; using more fully the economic resources of the nation; increasing the incomes of some of those living in poverty; and transmitting a sense of dignity and human worth associated with regular employment necessitates a careful review of employment.

This chapter reviews the recent history of employment for Costa Rica as a whole and for the San José Metropolitan Area; looks in more detail at employment conditions in the neighborhoods most closely identified with physical deterioration ("tugurios"); reviews the possibilities and problems associated with tugurio-specific employment policies; discusses generalized labor market conditions and their implications for labor force projections; considers the employment generation policy prescriptions that flow from two recent industrial surveys; and recommends certain policy directions.

### C. Evolution of Employment in Costa Rica

#### 1. Economy Wide Changes.

In general, the employment situation during the period under study (1963-1976) can be classified as satisfactory. During the period 1963-73 the economy created about 17,500 new jobs every year. That absorptive capacity increased to some 24,000 jobs annually during the last three years (Table 2), especially noteworthy since the growth of national product during the last three years was less than that during the earlier period, 1963-73 (Table 1).

#### 2. Sectoral Changes.

These employment changes can be summarized by the following points:

- a. Gradual loss of importance of the agricultural sector in the absorption of employment.
- b. Increase in importance of non-agricultural activities as generators of jobs (Table 2).
- c. Rapid growth of public employment (both in state enterprises and in general government) at a rate higher than that of private employment (Table 7).

The agricultural sector has traditionally been not only the "motor" sector of the national economy but also the greatest source of employment. The recent process of structural transformation in Costa Rica, however, has been based largely on the establishment of the Central American Common Market and on the accompanying growth of industrial and other non-agricultural activities.

From 1963 to 1976 the contribution for the agricultural sector in the total absorption of employment fell from 49.7 percent to 34.8 percent, while in terms of output its relative importance has remained nearly constant. This reflects increased productivity by agricultural workers caused essentially by the greater use of fertilizers, mechanization, and irrigation, as well as changes in the composition of output. <sup>1/</sup> The diminution in requirements for labor in the countryside, based on these technological advances and a greater need for workers in industrial, commercial and service activities, has produced and continues to produce this structural transformation. While agricultural employment grew in the period 1963 to 1973 at an average annual rate of 1.3 percent, non-agricultural employment grew at rates higher than 5 percent, with employment in the commerce sector growing at the fastest rate (8.2 percent).

Favorable changes in the employment situation during the last three years are primarily attributable to the satisfactory absorptive capacity of the industrial, commerce, and government sectors, in which employment rose at rates of 8.8, 8.0, and 6.1 percent, respectively. This employment growth has been accompanied by a decline in worker productivity. A calculation of industrial labor productivity shows a decline from 19,600 colones in 1973 to 18,600 in 1976. <sup>2/</sup> This fall in productivity could signify that the recent increase in employment levels has been due to underutilization of the industrial labor force. Alternatively, the increased employment levels could be a result of more labor-intensive techniques in the industrial process.

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<sup>1/</sup> The change in composition of agricultural output, toward livestock raising, for example, has had its negative effects on the demand for labor, given the low intensity of the labor use in livestock raising. Agricultural labor productivity, calculated using Tables 1 and 2 was 04,680 in 1963, 07,523 in 1973, and 08,092 in 1976. These were calculated in constant 1966 prices.

<sup>2/</sup> These figures have been derived from Tables 1 and 2 using rounded figures for output. For the three years under observation, labor productivity was:

1963 = 013,700      1973 = 019,581      1976 = 018,616

Note that these figures are calculated in terms of colones of 1966.

The relatively rapid growth of the industrial sector, aided enormously by the process of Central American economic integration, has exercised a strong magnetism over rural workers who have been attracted by the higher incomes and better conditions of city life. This process led to substantial rural-urban migration and, therefore, to a relatively high rate of growth in the urban labor force (5.7 percent vs. 2.8 percent in the rural sector from 1963 to 1976). If the industrial sector had not been so dynamic, unemployment rates would have been considerably higher. As an illustration, during the last three years, the urban labor force did grow slightly faster than employment. However, during this period, employment in the industrial sector grew at a much higher rate (8.8 percent). The rate of growth in employment in the construction and service sectors was much lower, resulting in the 5.5 percent average.

Expansion in the public sector also has helped to keep employment abreast of growth in the labor force. <sup>3/</sup> In 1950 only 6.2 percent of total employment was found in the public sector. By 1976 the figure had grown to 16.6 percent. It should be emphasized that within the public sector, autonomous state enterprises increased their participation from 1 percent in 1950 to 8.6 percent of total employment by 1973. The rate of growth of autonomous institution employment has slowed down since 1973, resulting in an 8.8 percent share of total employment in 1976 (Table 9).

### 3. Regional Changes in Employment.

Urban employment grew faster than rural employment -- a phenomenon clearly related to structural changes in the economy. Rural employment did increase slightly from 1973 to 1976, although at a lower rate than the rural labor force. There was a simultaneous drop in rural unemployment and increased rate of growth of urban unemployment (Table 4). As rural emigrants left, they reduced employment pressures in the rural areas. At the same time, labor supply pressures increased in the modern urban sector.

Thus, there is a tendency toward greater concentration of the national labor force in urban areas (Table 3). The urban labor force and urban employment have risen at annual rates twice those of the rural areas. Even though urban employment increased at a slightly lower rate than the labor force, serious unemployment problems were avoided because of the labor absorption capabilities of the industry, commerce, service, and public sectors.

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<sup>3/</sup> Various economists have suggested that the public sector may act as an employer of last resort, that is, as the absorber of residual labor.

D. Overall Availability of Workers

1. Changes in the Demographic Framework.

While population growth has fallen, in both urban and rural areas, the urban growth rates are considerably higher than rural rates (Table 4): i.e., nearly five times faster than the rural rate between 1973 and 1976. This underscores not only the strength of the urbanization process, but also emphasizes the magnitude of rural-urban migration with its consequent benefits and problems.

2. Changes in labor force.

Supply pressures on the labor market also are reflected by higher labor force participation rates (Table 10). In both sexes, the participation rate grew, although more slowly among men than women. Disaggregation by age shows, however, that male participation has fallen in all age cohorts, while female participation has risen conspicuously in all age groups. This greater incorporation of women into the labor force seemingly is in response to the following forces at work in Costa Rica:

- Reduced importance of the agricultural sector and lower physical requirements in modern sector jobs.
- Higher levels of urbanization.
- Higher female educational attainment.
- Changes in social attitudes with respect to female work.
- Fall in the birth rate.

E. Underutilization of Workers

1. Open Unemployment.

As noted earlier, pressures on the labor market in the period 1963-1973 did not have a large negative impact on the employment situation, since new employment opportunities were created at an average annual rate exceeding 5 percent (Table 2).

The rate of open, measured unemployment fell from 6.9 percent in 1963 to 6.2 percent in 1976 (Table 11). This consisted of a drop in both rural and urban unemployment rates: the rural from 6.2 percent (1963) to 5.8 percent (1976) and the urban from 8.2 percent to 6.8 percent (Table 12). At all times, urban unemployment rates exceeded

rural rates, for reasons associated with the structure of employment in both places. Specifically, self-employment is more prevalent in the countryside than in the city, and therefore the possibilities for open, measured unemployment are accordingly lower.

In the period 1973-1976, the numbers of persons unemployed in cities grew at an average annual rate of 7.2 percent, while rural unemployment dropped at an 8.4 percent rate (Table 4). We note as well that during the earlier period, 1963-1973, the rate of growth of rural unemployment was higher than that in cities, but owing to rural-urban migration, the relation was reversed after 1973 (Table 4).

Female unemployment rose notably, primarily among women below 19 years of age (Table 11). While female unemployment rates rose in all age groups, male rates fell during the period 1963-1976. This was accompanied by reduced participation rates for men of all ages, and increased participation rates for all but the oldest women.

## 2. Underemployment.

Underutilization of workers is measured in two forms in Costa Rica. "Visible" underemployment measures the desire of workers to work longer hours --a desire that has not been fulfilled owing to "lack of work". The number of equivalent jobs required to eliminate visible underemployment amounts to 2.8 percent of the total labor force. At the same time, "invisible" underemployment involves conditions of low labor productivity in some segments of the labor force. By definition, persons who received less than \$600 per month in 1976 and who worked more than 47 hours weekly were classified as invisibly underemployed. The number of additional jobs to employ them fully amounted to the equivalent of 4.1 percent of the workforce.

## F. The Employment Situation in the San José Metropolitan Area

### 1. Availability of Human Resources.

In July 1976 the Metropolitan Area of San José had about 550,000 inhabitants or 27.3 percent of the total population of the country. All indicators are that the percentage will increase over time, given the natural increase in population and continued rural-urban migration. Between 1963 and 1973, the average rate of population growth in San Jose was 4.4 percent per year, while in the period 1973-1976, it was 3.5 percent. Both rates are higher than the average annual rates for the country as a whole for the same periods (3.4 and 2.3 percent, respectively).

In spite of the its concentration in a small geographic space, the labor force of the Metropolitan Area constituted nearly 30 percent of the country's total labor force. The rate of participation, un-adjusted for age composition differences, is the highest in the country: 35.7 percent (Tables 12, 14, and 15). It is also interesting to note that labor participation rates of migrants to the San José Metropolitan Area are also high (Table 16). This suggests that the Metropolitan Area area rate might be high because of the growing number of migrants. But, perhaps more importantly, the high participation rates of migrants indicate that increased rural-urban migration will have an even stronger impact on the supply side of the labor market.

## 2. Employment and Unemployment.

Available workers are absorbed largely in the non-agricultural sectors (manufacturing, services, and commerce) which jointly contributed 83.3 percent of total employment in 1976 and 81.7 percent in 1973 (Table 19).

In 1976, the unemployment rate in San José was 6.1 percent. In the country as a whole, it was 6.2 percent, while in all urban areas it was 6.8 percent. The lower rate of unemployment in San José may reflect the greater need for workers on the part of the modern sector, especially given its current dynamism. Nevertheless, it is not clear to what extent the capacity for labor absorption is greater in the modern sector than in traditional activities. Seasonal influences are relevant in this matter, since rural employment, which by its nature undergoes seasonal fluctuations, is relatively low in the month of July. We note parenthetically, however, that the three surveys on which our conclusions are based were done in May (1973 census), July (1976 employment survey), and May-June (1977 tugurio survey).

## 3. Underemployment.

The figures in Table 20 show equivalent unemployment rates in San José. These are lower than those in the rest of the country, in cities as a whole, and in rural zones. Nevertheless, the underutilization of these resources represents a high cost for the national economy, since even within San José, 8 percent of the labor force finds itself underemployed. Thus, economic policy objectives and goals ought not to concentrate on fighting open unemployment alone, but ought as well to work on increased productivity, availability of work, and incomes of workers who are employed but underutilized.

G. Unemployment in the San Jose Slums, Shacks, and Shantytowns ("Tugurios")

1. Background.

In 1973, the San José Metropolitan Area had about half-a-million residents, grouped in nearly 100,000 families. Of these, 75,000 people, or about 15% of the population, lived in areas designated by INVU, the Costa Rican National Housing Agency, as "deteriorated zones" or "tugurios" --city slums, shacks, and suburban shantytowns.

In the years between 1973 and 1976 the Metropolitan Area population grew through migration and natural increase at a rate estimated by the Ministry of Labor of 3.2 percent per year. No independent observations exist on the separate rates of growth of tugurios and other urban areas.

Table 21.

1973 Population in Tugurios and Non-tugurios, San Jose Metro. Area

Metropolitan area, total:	
Population	501,000
No. of families	94,000
Of which, tugurios:	
Population	73,000
Families	13,000
And non-tugurios:	
Population	428,000
Families	81,000

2. Unemployment Rates.

Open, measured unemployment as a proportion of the labor force is higher in the tugurios than elsewhere. While these measurements are surrounded by problems involving the census and survey processes, the rates appear to have risen between 1973 when the census tabulated tugurio unemployment at about 8 percent and 1977, when a household survey in the same areas registered a 9.9 percent rate. Also, it should be noted that tugurio unemployment seems to have increased during the same period in which unemployment in the entire Metropolitan Area fell.

Table 22

Unemployment in Tugurios and Elsewhere

Unemployment rate in tugurios:

1973 census	8% <u>4/</u>
1977 household survey	9.9%

Unemployment outside tugurios in the San José Metro. Area:

1973 census	5% <u>4/</u>
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Unemployment in the San José Metro. Area as a whole:

1973 census	6.6% <u>4/</u>
1976 employment survey	6.1%

The age-sex composition of unemployment allows further insights into the problems of joblessness. As shown in Table 23, both male and female unemployment rates in tugurios are higher than those outside. The most notable differential is associated with tugurio males over 45 years of age, whose unemployment rates (15.3 percent) are more than six times the rates for this cohort in San José taken as a whole. Even female unemployment rates in the same age group are more than double those of the urban zone.

Policy measures regarding employment can clearly focus on this group and on their special characteristics. They are unemployed rather than "inactive", i.e., they actively sought work as part of the labor force, and the vast majority are from 45 to 64 years of age.

While overall unemployment rates, and rates by age-sex cohorts, are higher in the tugurio than elsewhere in San José, the same cannot be said when the data are standardized by income levels. Among persons living in families with low incomes, unemployment rates in tugurios and non-tugurios are nearly equal. Nor surprisingly, persons in low-income families have unemployment rates considerably above the area-wide averages. As Table 23 shows, about one-fourth of the lowest income males qualify as openly unemployed, no matter where they live. This is the obvious target group for employment policy.

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4/ Correct within +1% due to absence of rounding routine in University of Florida tabulations. See Tables 1-7 in Migration Chapter.

TABLE 23

San José, Costa Rica. Age composition, labor force participation rates, and open unemployment rates, by age and sex, according to tugurio residence (1977) and metropolitan area as a whole (1976).

SEX	AGE	AGE COMPOSITION		LABOR FORCE PART. RATE		UNEMPLOYMENT RATE	
		Metro. Area 1976	Tugurios 1977	Metro. Area 1976	Tugurios 1977	Metro. Area 1976	Tugurios 1977
Both sexes	Total	100.0 %	100.0 %	35.7 %	36.7 %	6.0 %	9.9 %
	Less than 12	28.1	31.4	-	-	-	-
	12 - 19	20.0	21.5	28.5	37.0	16.8	15.3
	20 - 44	33.7	33.0	65.5	67.6	4.6	6.9
	45 - 64	13.3	10.1	52.4	54.2	2.4	13.1
	65 and over not known	4.8 0.1	3.6 0.4	19.9 66.7	26.2 50.0	-	-
Men	Total	100.0 %	100.0 %	49.7 %	54.0 %	6.1 %	10.5 %
	Less than 12	29.9	32.2	-	-	-	-
	12 - 19	21.3	21.5	34.6	50.0	19.8	17.0
	20 - 44	31.8	34.1	91.7	97.2	4.4	7.1
	45 - 64	13.0	8.6	87.9	94.5	2.3	15.3
	65 and over not known	3.9 0.1	3.4 0.3	43.7 66.7	48.0 100.0	-	-
Women	Total	100.0 %	100.0 %	22.9 %	19.9 %	6.0 %	8.1 %
	Less than 12	26.6	30.7	-	-	-	-
	12 - 19	18.8	21.4	22.1	24.1	11.9	11.7
	20 - 44	35.4	31.9	44.0	36.1	5.1	6.4
	45 - 64	13.5	11.7	21.1	24.7	3.0	6.4
	65 and over not known	5.6 0.1	3.8 0.5	4.8 66.7	7.0 14.3	-	-

SOURCES: 1976. Encuesta nacional de hogares -- empleo y desempleo -- julio 1976. Table 6.  
1977. Tabulations from tugurio survey done by the Oficina de Información.  
(Household survey, not the adult survey).

Table 24

Unemployment in Tugurios and Elsewhere, By Sex and Income Group

a. Unemployment rates 1973

	<u>Tugurios</u>		<u>Non-Tugurios</u>	
	<u>Labor Force Size</u>	<u>Unemployment Rate</u>	<u>Labor Force Size</u>	<u>Unemployment Rate</u>
Men	17,200	9%	94,300	6%
Women	5,900	5%	47,600	2%

b. Unemployment rates among persons whose annual per capita income was less than ₡1300 (\$170) in 1973.

Men	3,300	24%	9,300	25%
Women	1,100	11%	3,400	9%

c. Unemployment rates among persons whose annual income per capita was less than ₡2000 (\$260) in 1973.

Men	6,900	17%	21,600	16%
Women	2,200	9%	7,500	7%

3. Numbers of Unemployed.

Assume that the 1973-1976 rate of growth of the labor force in the San José Metropolitan Area has continued to the present. This rate, 4.2% per year, is higher than the rate of growth of population (3.2%) due to (1) the diminution in the birth rate, a phenomenon less than a decade old, and (2) the increase in female urban labor force participation.

Assume as well, in the absence of data to the contrary, that tugurio and non-tugurio labor forces have grown at equal rates. The mid-1977 tugurio labor force would then number about 27,000, with 167,000 workers (and would-be workers) living elsewhere in the Metropolitan Area.

For families with lowest incomes, there are about 1,100 workers openly unemployed in the tugurios, and about three times that number in non-tugurios. At the slightly higher poverty line of ₡2000, 1600 tugurio residents are qualified as "poor" and unemployed. Three times that number of poor unemployed live outside the tugurios. Table

25 shows details regarding estimation of the total unemployed poor in the San José Metropolitan Area (6,400 persons).

Table 25

Numbers of persons, unemployed, living in low-income families, San José Metropolitan Area, Mid-1977

	<u>Tugurios</u>	<u>Non-Tugurios</u>	<u>Totals</u>
a. Labor force			
Labor force, 1973, Metro.Area	23,000	142,000	165,000
Average annual rate of growth	4.2%	4.2%	-
1977 labor force	27,000	167,000	194,000
b. Labor force in families with annual per capita incomes less than ¢1300 (1973 colones)			
Proportion	19%	9%	-
Absolute number (1977)	5,200	15,000	20,200
Unemployment rate, both sexes	21%	21%	-
Number unemployed (1977)	1,100	3,100	4,200
c. Labor force in families with annual per capita incomes less than ¢2000 (1973 colones)			
Proportion	39%	21%	-
Absolute Number (1977)	10,600	34,000	44,000
Unemployment Rate, both sexes	15%	14%	-
Number unemployed (1977)	1,600	4,800	6,400

4. Underemployment.

Regrettably, cross-tabulations from the tugurio household survey, which might have shed more light on underemployment, did not arrive in time to be considered in this report. Nonetheless, some preliminary conclusions about tugurio underemployment can be drawn on the basis of earlier data. In the San José Metropolitan Area, about 5 percent of workers with jobs work short hours, and want to work more. They are called "visibly underemployed" in the employment survey. In addition, about 10 percent work long hours (more than 47 per week) for low pay (a figure on average that is about 60 percent of the minimum wage). These workers are called "invisibly underemployed" in the same survey. Assuming that underemployment in the tugurios is neither more nor less prevalent than outside them, tugurio underemployment is as follows:

Tugurio employment, mid 1977	27,000
Underemployment proportion	15%
Numbers underemployed	4,050

These numbers can then be disaggregated between those who want to work more (about 1,350) and those who worked long hours for low pay (about 2,700).

## II. Employment, Income, and Labor Market Characteristics in the San José Tugurios

In order to make policy recommendations, one must know more than the degree of un- and underemployment in the tugurios. Therefore, in this section, we have summarized a number of findings from the 1977 Adult Survey --especially relating to employment, ways in which tugurio residents find jobs, sources of income, and job training requirements.

### 1. Employment.

Of the 517 adults surveyed, 56 percent had worked during the previous week, while the remainder had not. Of those not working, the largest number (61 percent) were housewives, followed by those out of work (14 percent), students (11 percent) and other (14 percent).

Definitions of open unemployment vary, according to the use to which the measurements will be put. The periodic Employment Surveys of the Ministry of Labor count as "unemployed" those persons who did not work during the survey week and who, at the same time, actively sought work. Unfortunately, the construction of the tugurio survey questionnaire does not permit reliable comparison with the Employment Surveys and the 1973 and 1976 data in this report.

### 2. Potential Labor Force Entrants.

The survey considered housewives to be the only economically inactive group that was potentially active. Accordingly, they were asked about their possible participation in order to determine the possibility of adding to a family's money income by adding an extra income earner to the workforce.

Nearly 63 percent of all housewives (one-sixth of all adults) said they would like to work, although the vast majority wanted only part-time work. <sup>5/</sup>

<sup>5/</sup> Of the adults who said they would like to work (only housewives or 17% of all adults surveyed), 4 percent wanted to work full-time and 13 percent part-time.

Such a finding is consonant with child-care and housekeeping responsibilities in a culture in which males seldom undertake either. It is also similar to observations of new female labor force participation in more affluent countries, in which the women actively pursue part-time work as a transition between full-time housekeeping duties and a full-time job. The survey did not determine whether any of these women had taken concrete steps to seek work.

### 3. Previous Job Experience.

As mentioned above, more than half the adults were gainfully occupied, and nearly one-quarter more had been employed formerly. There are no data on the age and sex composition of this latter group, but it is possible to speculate that it consists largely of the openly unemployed and of housewives and students who, at one time, held jobs. Of the group formerly employed, more than half (58 percent) had not held a job in the last two years, indicating a reasonably lengthy separation from active labor force participation. <sup>6/</sup> The remaining 19 percent of the sample had never been employed.

The survey questionnaire also tried to determine the present means of support for the formerly employed. Marriage was the most prevalent, followed by intra-family transfer payments. No member of the sample received transfer payments in cash from the government, according to the survey's responses.

### 4. Occupational Characteristics.

According to the survey, while white collar occupations comprised about one-fifth of the adults, a great concentration of these were as "sales personnel". Blue collar workers, service workers, and farmers (gardeners in most cases) made up the remainder of the present and former workforce. Occupations of present or formerly employed workers were as follows: <sup>7/</sup>

	<u>Tugurios</u>	<u>San José Overall</u>
White collar workers	19%	37%
Farmers	5%	-
Blue collar workers	34%	27%
Service workers	23%	17%
Total	<u>81%</u>	<u>81%</u>

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<sup>6/</sup> For the 24 percent of the sample that had been employed formerly, 14 percent held their last job two or more years ago and 10 percent less than two years ago.

<sup>7/</sup> Note: The San José labor force has been adjusted to show proportions comparable to those found in the tugurios. No data exists on the occupations of those formerly employed who live outside the tugurios.

Urban development theoreticians often assert that workers in a slum form a vast and largely unstructured pool, in which employment is transitory and self-employment common. However, in San Jose's tugurios, only about one-sixth of the respondents were (or had been) temporary employees, self-employed, or other. <sup>8/</sup> This is due primarily to the attractiveness of more favorable wages and working conditions for "employees", coupled with the satisfactory growth of demand for workers in San Jose during the recent past.

The bulk of the workforce was in urban tertiary activities, including the services (44 percent), followed by 33 percent in secondary activities, and 4 percent in primary activities.

A substantial proportion of all these jobs are in very small firms. About 30 percent of the adults sampled worked in firms with fewer than 10 employees, and 45 percent worked in firms with more than 10. Very few workers had exercised managerial responsibilities --only 7 percent vs. 74 percent which had not.

#### 5. Working Conditions and Experience.

Most of those who worked during the week before the survey, worked a full week, with a substantial fraction spending 49 hours or more in economic activities. The number working short workweeks, voluntarily or involuntarily, was accordingly quite small, as shown below:

Less than 40 hours	7%
40 - 48 hours	32%
49 hours and more	17%
Sub-total	<u>56% of sample (total who worked)</u>

Approximately 19 percent of all slum-dwelling adults, including some full-time workers, earned less than 0800 per month (the equivalent of US\$94 at current exchange rates). One-third earned between 0800 and 02000, the latter being equal to US\$234. Only 4 percent of the entire sample had incomes of more than 02000. These figures are, of course, income per worker, not per family or per capita. Since the average tugurio family had 1.9 workers, family incomes were higher accordingly.

#### 8/ Category of present or formerly employed workers:

Permanent employee	65%
Temporary employee	8%
Self-employed and other	<u>8%</u>
Sub-Total	81% of sample

Employment instability was, at least on first impression, surprisingly high. Of the respondents, one-fifth had less than a single year in their present jobs. 9/ Many explanations can be offered. First, physical and mental infirmity may prevent some tugurio residents from holding down jobs for long periods of time. Secondly, turnover among young people, who are disproportionately found in these neighborhoods, is higher than among older people. Thirdly, problems with transport may contribute to turnover. Unfortunately, the survey data do not permit us to choose among these alternative hypotheses. However, there are some benefits from high turnover, especially for young people: they gain experience in a variety of jobs before determining the type of work they will eventually choose.

Multiple job holding might be thought to be characteristic of persons living in poverty. The survey, however, showed very little:

Single job holders	55%
Multiple job holders	<u>1%</u>
Sub-Total	56% of sample

6. Entry Requirements and Information Networks.

The survey questioned 50 percent of the total sample on how they got their jobs -- i.e., the total at work (56 percent) minus self-employed (6 percent).

Most were promoted from within their organization. Such changes are consistent with the notions of "internal labor markets", i.e., labor markets that operate within firms themselves. Other requirements included work experience, formal schooling, and some combination of education and experience. Job related requirements for present employment were as follows:

Internal promotion	27%
Previous experience	11%
Schooling	4%
Combination, or none	<u>8%</u>
Sub-Total	50% of sample

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9/ Experience in present job:

Less than one year	21%
1 - 7 years	20%
8 or more years	<u>15%</u>
Sub-Total	56% of sample

Information networks about employment were predominantly informal rather than formal. This duplicates observations on labor markets in other countries, including affluent ones. The vast majority of jobs were filled through recommendation by a relative or friend. 10/

7. Job Search Mechanisms Among Those Seeking Work.

About one-eighth of the adults surveyed sought work during the survey week. Some of these had jobs, others did not. (This explains the difficulty in assessing comparable measures for open unemployment.) The variety of search strategies used gives additional insight into the unorganized or informal employment placement mechanisms that characterize San José labor markets -- and, as noted above, make them similar to markets in more affluent countries. Job search mechanisms of those who looked for work were as follows:

Visit companies	3%
Talk with friends and relatives	3%
Read advertisements	2%
Wrote application	3%
Other	1%
Sub-total	12% of sample
(Went to employment agency	0%)

8. Source of Income.

The survey of tugurio adults sought detailed information about the multiple sources of income that sometimes are observed in situations in which self-employment and cottage industry may be important elements in overall family income. The results were as follows:

Wages in cash	56%
Wages in kind	5%
Profits from sale of:	
Cooked food	1%
Garden output	1%
Artisan products	0%
Purchased goods	2%
Rent of houses	2%
of rooms	1%
Imputed rents (for home owners)	39%

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10/ Information networks about jobs:

Called by employer	6%
Sought work at plant, etc.	9%
Relative, friend, neighbor	31%
Other	4%
Sub-total	50% of sample

While they show that income came from a number of different sources, the great majority of income earners were salaried. The unexpectedly high attachment of the workforce to employer-employee relationships, and the correspondingly low proportion of persons involved in less formal economic activities, is not easy to interpret. One possible, and indeed plausible, interpretation is that the tugurios are better incorporated into the urban economy and into its formal labor markets than might have been assumed. Another possibility -- somewhat less comfortable -- suggests that the surveyors were less than diligent in carrying out that part of the survey inquiring about alternative sources of income. Regardless of reason, the survey's findings ought to be seriously considered, precisely because of their unexpectedness.

The survey noted that 39 percent of the respondents could be credited with earning imputed rents. Home owners, therefore, have higher disposable income, other things being equal, than persons who must pay rent. Unfortunately other sources of imputed income were not determined (e.g., value of home-grown fruits and vegetables, or home-made shoes by cobbler), although we can say that the value of these would be less than imputed rents.

#### 9. Training.

Adequate job training or experience is desirable, both for its contribution to worker productivity and for its role in enhancing worker satisfaction. Workers were asked in the survey whether they felt a lack of adequate training. About one-quarter of those who had worked the previous week said they were working in jobs for which their backgrounds were not completely adequate. 11/ This seems to indicate that there could be a greater emphasis on vocational education or subsidized on-the-job training of one kind or another.

Workers may, at the same time, be more broadly trained than is indicated by the particular job they happen to be holding at the time of the survey. While responses must be viewed with appropriate skepticism, it is useful to note that only 9 percent of all the adults surveyed admitted that they were capable of only a single trade or occupation.

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11/ Feeling of lack of training:

Yes	12%
No	36%
No response	<u>2%</u>

50% of sample (Total number of workers, excluding self-employed).

The coverage of formal job training systems is wider than might have been anticipated, given our previous impressions of the informality of tugurio labor market institutions. In fact, 19 percent of the respondents were attending training courses of one kind or another. Of the total sample, 6 percent were at the National Apprenticeship Institute; 4 percent in commercial schools; 2 percent in sewing courses; and 7 percent in other. An even greater proportion responded positively to a question about their willingness to attend a course (or to attend another course, as the case may be) --68 percent said they would attend a course, while only 28 percent said they would not.

#### 10. Policy Recommendations Relating to Tugurios.

Several factors emerge from this analysis which would appear to be of policy or programmatic significance. Tugurio family heads tend to be relatively young, many of the workforce members are inexperienced and undertrained, and a large proportion are desirous of or amenable to some form of additional job training. There seems to be both the need and the opportunity for skill upgrading, assuming opportunity and access to related employment and promotion.

About 10 percent of the tugurio workers received their wages in kind or from sale of food and artisan products --suggestive of "informal" sector employment, and probably at very low wages. A much larger proportion of the workers was employed by very small businesses with less than 10 employees. The small scale sector in particular offers an important source of employment for tugurio residents. Expanded opportunities in this sector should be explored.

Finally, there was a considerable break in employment for those who were unemployed or had worked previously --suggestive of considerable lack of mobility in employment conditions for a sizeable number of tugurio residents. This phenomenon should be examined more closely as employment policies and programs are developed.

##### I. Small-Scale Businesses

Small businesses are an important source of employment for tugurio residents. As a result, USAID/Costa Rica contracted with the Massachusetts consulting firm AITEC to survey "micro" businesses: (sample size of 353) in deteriorated barrios of the Metropolitan Area. To be defined as "micro", firms had to meet the following requirements:

- a. Monthly income of less than ₡3,000 (\$351)
- b. Net worth (patrimonio personal) of owner less than ₡150,000 (\$17,500)
- c. Total investments in the business of less than ₡75,000 (\$8,800)

- d. Monthly sales of less than ₡75,000 (\$2,900)
- e. Number of full-time employees, including the owner and unpaid family workers, of up to 10 persons.
- f. Non-quantitative requirements: difficulty of access to institutional credit; fixed place of business; reasonable present efficiency; experience in the business; and idoneidad.

1. Workforce.

Average workforce, including owner and unpaid family workers, in these micro-firms was about 2.5 persons. Of these, the typical firm was composed of 1 owner, 0.5 other family members, and 1 employee. The majority of workers (58 percent) were unskilled.

2. Demand for More Labor.

About one-fourth of the firms said they had "need for additional workers". Unfortunately, these "needs" are never clearly described, and the reasons for not filling their needs is never made clear. Therefore, it is hard to assess the degree to which these needs represent unfilled effective demand for labor, and to what extent they are simply the result of wishful thinking by the respondents.

About three-fourths of the identified needs are for skilled workers, in contrast to the present workforce in which only 42 percent of the workers are classified as skilled.

3. Additional Credit and New Employment.

Asked about expansion possibilities, the owners responded optimistically. "Necessary investments" were said to be larger than the total value of existing firms taken as a whole. The 353 firms were worth, according to their owners' declarations ₡9.6 million. Necessary new investments were ₡10.3 million. Assuming that in each of the four branches of business surveyed (industry, services, commerce, and artisan activities), the value of capital per worker (₡11,100) was maintained and that part of the new investment would be financed from retained earnings; approximately ₡10,300 (\$1,200) of credit would need to be extended for each new job in this small enterprise sector. This, however, is merely a rough estimate, especially since it is based on current capital-labor ratios and ignores possible job displacement from investment in new machinery.

II. Larger Firms, Unfilled Vacancies, and Training Needs

In mid-1977, the Ministry of Labor and the Dirección Nacional de Estadísticas y Censos made a survey of 175 firms, each of which had 10 or more workers. The survey complements the one on micro-firms described in the preceding section. The numbers of firms and employees represented by this sample were:

<u>Branch of urban industry</u>	<u>Number of firms</u>	<u>Number of employees</u>
Manufacturing	704	41,700
Elec. and transp.	52	1,700
Construction	186	10,000
Commerce and finance	984	35,600
Social and personal services	<u>236</u>	<u>5,600</u>
Total	<u>2,162</u>	<u>95,600</u>

Two sets of responses are of major concern in this Urban Assessment. The first deals with the presence of current job vacancies: i.e., while proportions varied across industry lines, vacancies existed that amounted to about one-sixth of current employment in these firms. In other words, facing an urban unemployment rate of about 6 percent, there was a vacancy rate of about 16 percent. Of these vacancies, nearly 40 percent had existed for two months or more --indicating some difficulty on the part of employers in filling them.

The survey also inquired about why employers thought the vacancies existed. The answers reveal something about the state of employers' perceptions of labor markets, as well as about the nature of the survey itself. About half the vacancies existed because workers could not be found in the present labor market. For the other half, either workers existed but were not qualified for the positions (one-sixth), or "other reasons" existed for the vacancies (one-third).

The responses suggest that the surveyors or the employers (or both) assumed wage rates to be unimportant in filling vacancies. No large group of employers thought that vacancies might be explained by low wage offers to prospective employees. Nor did the survey inquire whether employers thought that offering wages for a given position (e.g., 20 percent higher) might diminish the number of vacancies.

This establishment survey also revealed plans for substantial expansion of employment -- i.e., plans to hire new employees -- equivalent to nearly 80 percent of current employment levels during the next several years. These projections are undoubtedly too optimistic. They ignore market possibilities and competitive advantage, and in fact reflect primarily that which Lord Keynes called the "animal spirits of businessmen". They do indicate, however, that there are substantial employment opportunities in the larger-scale industrial sector which should not be ignored in developing programs for San José.

Preliminary tabulations of the establishment survey list occupations in detail (at the four-digit level) for (1) current vacancies and (2) vacancies projected in expansion plans. The level of detail with which these results are reported permits an analyst to differentiate between skilled and unskilled occupations. For example, in manufacturing, more than 500 vacancies exist in the following occupations: sewing machine operators, sales agents, cabinet makers, and textile workers.

These data can form, with more detailed analysis, the basis for policy recommendations on skill training, at least some of whose beneficiaries would be tugurio poor. The wide range of skills identified in the survey provide opportunities for a broad range of programs, including on-the-job training and formal apprenticeship training.

#### K. Projections and Labor Market Analysis

Independent projections of labor force supply and demand can be useful when a country's labor markets don't work or when they give signs of not working in the future. However, the calculation of a "gap" between labor supply and labor demand is extraordinarily sensitive to key assumptions about growth rates of labor force and labor productivity. Calculations projecting a gap imply that it will exist unless corrective actions are taken. If market forces and other existing institutional forces work with any effectiveness, however, the gap may be taken care of automatically.

Of course, the smooth operation of markets does not imply a utopian situation. It does mean that policy intervention based on the size of the overall gap between labor supply and demand is likely to be excessively simplistic and notably inefficient when markets work reasonably satisfactory.

##### 1. Signs of Labor Market Failure.

Signs of market failure in existing labor markets include the following:

- a. Legal minimum wages at levels inconsistent with worker productivity which are enforced.
- b. Persistent open unemployment of more than, say, 10 percent of the workforce, especially when existing side-by-side with unfilled vacancies.
- c. Simultaneous presence of wide regional wage differentials together with absence of internal migration in directions suggested by these differentials.
- d. Massive social and political discontent focussed on present institutional responses to public pressures.

2. Labor Markets in San Jose.

In a mixed economy when the signs noted above are absent, one would conclude that labor markets were, in fact, working. In Costa Rica, and particularly in the San José Metropolitan Area, we observe the following:

- a. System of legal minimum wages, promulgated by the Ministry of Labor, which is adjusted annually and differentiated by occupation. Presence of urban self-employment as a safety valve. Of those who are employed for wages, about one-tenth of the full-time workers earn, on the average, less than two-thirds of the minimum wage --thereby reflecting their productivity.
- b. Open, measured unemployment in 1973 of 6.6 percent and in July 1976 of 6.1 percent. These figures are similar to those observed in affluent industrialized countries, and are considerably less than the 10 or even 15 percent rates seen in some low-income countries.
- c. Regional wage differentials have stimulated urban migration at rates comparable to those in other developing countries.
- d. Absence of massive discontent. Absence, for example, of uncontrollable demonstrations, riots, sabotage, kidnapping, and other forms of violence. Presence of free elections and free press.

The above suggest that labor markets in the San José Metropolitan Area are working relatively well.

### 3. The Short Term Future.

Markets, now working relatively smoothly, could be strained beyond their limits under a number of possible conditions: (1) labor force expansion of unprecedented speed; (2) fall in the rate of growth of industrial and other modern urban sectors; and/or (3) change in the composition of demand for labor, especially toward scarce skills and away from skills possessed by the bulk of the existing labor force.

With regard to each of these factors, we see the following for the San José Metropolitan Area:

a. Growth of the labor force. The labor force in the San José Metropolitan Area has been increasing recently at approximately 4.2 percent per annum, compared to a national average of 4.0 percent. Population projections for the Metropolitan Area do not foresee an acceleration of population growth in the working ages, so this rate should not increase greatly and should not create serious difficulties.

Labor force participation rates could change, especially if the participation of women continues to increase. This has been offset, however, by a diminution in the participation of the young of both sexes, who stay in school longer, and the old, a greater number of whom leave the urban labor force to retire on pensions. Those forces are likely to continue, leaving overall labor force participation rates largely constant. Hence, with falling rates of natural population growth, and assuming no great increase in rural-urban migration, and constant labor force participation rates, the rates of labor force growth may well decline rather than accelerate.

In summary, we feel that present labor market mechanisms will not be strained by unprecedented speed in labor force growth rates in San José.

b. Growth in overall demand for labor. If growth in Costa Rican output were threatened in the near future, rates of expansion of the urban labor force could suffer. No obvious international or domestic barriers to further economic growth are foreseen, however, and it is assumed that there will be sufficient stimulus to growth. In addition, employment in San José is partially insulated from economic fluctuations in the short-run because of the large role of public sector activities.

c. Composition of demand for labor. The capital intensity of production undoubtedly will continue to increase as an inevitable concomitant to development. The demand for specialized workers, embodying large amounts of human capital, will grow as well, since physical and human capital are complementary inputs to the production process. However, there are no indications of drastic change in the near-term demand for labor. We do not foresee large-scale unfillable vacancies or large groups of skilled workers whose skills have been made obsolete overnight.

## I. Employment Policy Recommendations

Although the labor markets in San José are working relatively well and there is no need for macro supply and demand projections, a number of employment policy recommendations can be made. Others will require additional surveys of vacancies and expected vacancies at the establishment level. Recommendations relating to both demand and supply factors follow.

### 1. Demand side of the labor market.

Demand for labor can be stimulated by a number of policy measures:

- Appropriate policies on factor prices. Labor's wages and labor costs in general ought not be artificially propped up (e.g., though unrealistic minimum wage levels) since this clearly discourages the use of labor, especially unskilled labor. Analogously, to the extent that capital investment is subsidized, the price of capital falls relative to labor's wage costs, and greater capital intensity in the production process occurs, with a correspondingly lower demand for labor, other things being equal. Periodic changes in factor prices should not exceed changes in factor productivity, especially with regard to the minimum wage. Implementation of this recommendation would require detailed studies of sectoral labor productivity, as well as the political determination to resist popular but exaggerated increases in the minimum wage.
- Emphasis on the use of intermediate technology. Intermediate, rather than highly sophisticated technology developed in foreign research laboratories to maximize the use of capital (and, not coincidentally, the returns on royalties for the licensing of the technology), should be used. State funds, together with help from international agencies and private foundations, ought to be allocated for compiling and publicizing results found internationally. This is needed since the private firms using intermediate technology are likely to be, at least at first, very small and therefore incapable of supporting their own local research laboratories.
- Public service employment for the hard-core unskilled unemployed. "Correct" factor prices and the use of intermediate (or "appropriate") technology will not deal with all unemployment. Rural public works, for example, could both benefit society as well as deal with some of the most serious problems of long-term unemployment among unskilled workers. Expansion of public employment, however, is controversial in Costa Rica, given its rapid growth in the recent past. Both budgetary considerations and efficiency may make this recommendation impractical.

- Public subsidy of worker-owned firms. The degree of labor intensity of such firms would be a function of the internal competitive demands of the industries considered for such assistance. Technical assistance and credit subsidies could be aimed preferentially at those industries whose rate of growth of employment was highest

## 2. Supply side of the labor market.

The supply of labor could also be influenced (improved) through the following measures:

- Strengthening the Employment Service. As noted earlier, the public employment service was not an important source of job placements. It could offer, however, new opportunities to the unemployed in tugurio neighborhoods.
- Formal apprenticeship training. The National Apprenticeship Institute is the current headquarters for these activities.
- Short training courses. To the extent possible, short courses are superior to longer ones, both because they are less expensive and because they respond more quickly to labor market pressures. Training courses that last for years run the risk that the skills produced will become obsolete too quickly after the course ends, especially when an economy is undergoing dynamic changes.
- Subsidized on-the-job training. Like the previous two recommendations, these training courses are aimed at increasing productivity of employable workers. However, in addition to upgrading skills of already employed workers, such training with proper incentives to employers can be applied to new workers drawn from the previously unemployed.

The last three types of training courses mentioned cannot be adequately planned without a demand survey of the type exemplified by the Costa Rican Establishment Survey and the Micro-Empresa Study. But with these minor exceptions the other demand and supply policy recommendations do not depend on the existence or size of a projected "gap" between supply and demand for labor. All would be as appropriate in a full-employment economy as in one featuring high measured unemployment.

The recommendations are desirable also because (1) they range from very general market stimuli (e.g., the factor price recommendations) all the way to very specific and highly focused activities (e.g., short training courses); (2) the recommendations are independent of one another and may proceed simultaneously or separately; and (3) the supply side recommendations are at least potentially capable of being focused on tugurio residents, or alternatively on the lowest income groups.

### 3. Tugurio-specific employment.

With regard to tugurio-specific employment problems, it should be remembered that policies to "help tugurios" are really policies to help tugurio residents. Residents' income and employment may be aided (1) either by tugurio-based employment or (2) by heightening their employability outside tugurios. The first is exemplified by the location in tugurios of employers; the second by schools, health centers, employment services, and the like. Employment service branches in tugurios are likely to be the most direct and, therefore, the most cost effective of the possible programs. However, the cost to the prospective tugurio employers of seeking employment through such formal channels should be assessed prior to a general move in this direction.

#### M. Beyond Employment Policy

Even the best employment policy cannot cure all poverty. Some people are so "disadvantaged" that they are beyond the reach of jobs and wage incomes. These are the old, the sick, the mentally and physically handicapped, the abandoned mother with her numerous children --in short, a group of persons for whom training, employment services, apprenticeship, and steady work in general may not be attainable.

How numerous are such people? This group is the hardest to reach by formal surveys, and thus the hardest to measure. One indication comes from the May-June 1977 survey of tugurios carried out by the Oficina de Información. In commenting on the interview process, that office noted that almost 5 percent of the interviews turned out to be "blancos", that is, blank or incomplete. The greater part of these incomplete interviews correspond to "personas mentalmente incapacitadas". No skills of literacy or formal education are necessary to respond to a face-to-face interview. Only minimal mental capacity is needed, given the closed end nature of the majority of the questions. Yet nearly five percent lacked even this minimal capacity.

Accordingly, the survey's completed interviews do not include this bottom 5 percent which might be considered the economic basket cases of the tugurio neighborhoods. Note that these are not cases in which the prospective interviewee refused to be interviewed. Those make up an additional 2.5 percent of the total sample size. The "blancos", instead, were associated with persons who tried to cooperate with the interviewer, but simply found the going too tough.

Incapacity at this level may not be alleviated by standard measures of employment policy. Instead, transfer mechanisms of the modern welfare state may be called for, such as those already in existence through the Institute for Social Assistance (IMAS) and the Family Allowances (Asignaciones Familiares) programs. In addition, the Government of Costa Rica will need to continue or expand rehabilitation programs, especially those which can provide productive employment for the disadvantaged.

Chapter VIII. EMPLOYMENT

TABLES 1 - 20

Table 1

## Costa Rica: Distribution, Sectoral Structure, and Changes in Gross National Product

(1963, 1973 and 1976)  
(In Millions of Colones-1965)

Type of Activity	ABSOLUTE			RELATIVE			ANNUAL GROWTH RATES		
	1963	1973	1976*	1963	1973	1976	1963/73	1973/76	1963/76
<u>TOTAL COUNTRY</u>	<u>3,475,5</u>	<u>6,934,3</u>	<u>7,963,5</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>7.1</u>	<u>4.7</u>	<u>6.6</u>
Agriculture	856,4	1,565,5	1,736,0	24.6	22.6	21.8	6.2	3.5	5.6
Industry <u>1/</u>	590,8	1,373,2	1,680,9	17.0	19.8	21.1	8.8	7.0	8.4
Construction	194,6	379,2	468,9	5.6	5.5	5.9	6.9	7.3	5.3
Basic Services <u>2/</u>	201,6	504,2	606,1	5.8	7.3	7.6	9.6	6.3	8.8
Commerce <u>3/</u>	503,9	1,098,0	1,169,1	14.5	15.8	14.7	8.1	2.1	6.7
Personal Services <u>4/</u>	1,128,2	2,014,2	2,302,5	32.5	29.0	28.9	6.0	4.6	5.6

1/ Includes manufacturing and mining2/ Includes electricity, gas, water, transportation, communication and storage.3/ Includes wholesale and retail trade, restaurants, hotels and banking4/ Includes the other sectors and activities not well specified.

SOURCE: Estimates by Ministry of Labor based on Central Bank data together with refined figures from the Census and from the July 1976 Household Employment Survey.

Table 2

Costa Rica: Distribution, Sectoral Structure, and Employment Evolution

1963, 1973 and 1976

Type of Activity	A B S O L U T E			R E L A T I V E			A N N U A L G R O W T H R A T E S		
	1963	1973	1976*	1963	1973	1976	1963/73	1973/76	1963/76
<u>TOTAL COUNTRY</u>	<u>367,814</u>	<u>544,776</u>	<u>616,788</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>4.0</u>	<u>4.2</u>	<u>4.1</u>
Agriculture	182,976	208,108	214,539	49.7	38.2	34.8	1.3	1.0	1.2
Industry <u>1/</u>	43,125	70,130	90,294	11.7	12.9	14.6	5.0	8.8	5.8
Construction	20,308	37,583	40,242	5.5	6.9	6.5	6.3	2.3	5.4
Basic Services <u>2/</u>	17,485	29,895	34,349	4.8	5.5	5.6	5.5	4.7	5.3
Commerce <u>3/</u>	36,426	80,093	100,804	9.9	12.2	16.3	8.2	8.0	8.1
Personal Services <u>4/</u>	67,494	118,967	136,560	18.4	24.3	22.1	5.8	4.7	5.6

1/ Includes Manufacturing and Mining2/ Includes electricity, gas, water, transportation, Communication and storage3/ Includes wholesale and retail trade, restaurants, hotels and banking4/ Includes the other sectors and activities not well specified.

SOURCE: Refined and adjusted Population Census 1963 and 1973 and Household Employment Survey, July 1976.

Table 3

COSTA RICA: URBAN AND RURAL POPULATION DISTRIBUTION  
LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Population, Labor Force and Employment	ABSOLUTE			RELATIVE		
	1963	1973	1976	1963	1973	1976
<u>Total population</u>	<u>1,336,274</u>	<u>1,879,252</u>	<u>2,009,322</u>	<u>100.00</u>	<u>100.0</u>	<u>100.0</u>
Urban	460,543	763,505	863,281	34.5	40.6	43.0
Rural	875,731	1,115,747	1,146,041	65.5	59.4	57.0
<u>Labor Force</u>	<u>395,273</u>	<u>588,026</u>	<u>657,709</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Urban	146,164	255,417	301,208	37.0	43.4	45.8
Rural	249,109	332,609	356,501	63.0	56.6	54.2
<u>Employed</u>	<u>367,814</u>	<u>544,776</u>	<u>616,788</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Urban	134,203	238,879	280,828	36.5	43.8	45.5
Rural	233,611	305,897	335,960	63.5	56.2	54.5
<u>Unemployed</u>	<u>27,459</u>	<u>43,250</u>	<u>40,921</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Urban	11,961	16,538	20,380	43.6	38.2	49.8
Rural	15,498	26,712	20,541	56.4	61.8	50.2

Source: Population Census, 1963 and 1973; and Household Employment Survey, July 1976.

COSTA RICA: ANNUAL GROWTH RATES OF POPULATION, LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT  
(1963-1973, 1973-1976, 1963-1976)

POPULATION, LABOR FORCE AND EMPLOYMENT	1963-1973	1973-1976	1963-1976
<u>Total Population</u>	<u>3.47</u>	<u>2.26</u>	<u>3.19</u>
Urban	5.19	4.18	4.95
Rural	2.45	0.90	2.09
<u>Labor Force</u>	<u>4.05</u>	<u>3.80</u>	<u>3.99</u>
Urban	5.74	5.65	5.72
Rural	2.93	2.34	2.80
<u>Employed</u>	<u>4.01</u>	<u>4.32</u>	<u>4.06</u>
Urban	5.94	5.54	5.84
Rural	2.73	3.17	2.83
<u>Unemployed</u>	<u>4.65</u>	<u>-1.83</u>	<u>3.12</u>
Urban	3.29	7.21	4.18
Rural	5.59	-8.38	2.19

Source: Table 3

Table 5

COSTA RICA: THE LABOR FORCE  
According to Age and Sex  
(1963 and 1976)

LABOR FORCE	1963			1973		
	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN
<u>Labor Force</u>	<u>395,273</u>	<u>330,879</u>	<u>64,394</u>	<u>657,709</u>	<u>509,300</u>	<u>148,409</u>
12 to 19 years	81,502	66,136	15,366	144,381	108,019	36,362
20 to 44 years	224,405	184,917	39,488	375,144	208,574	94,570
45 to 64 years	75,413	66,997	8,416	119,495	103,977	15,518
65 and over	12,844	11,963	881	17,694	16,094	1,600
Unkown	1,109	866	243	995	636	359
<u>Employed</u>	<u>367,814</u>	<u>304,778</u>	<u>63,036</u>	<u>616,788</u>	<u>484,063</u>	<u>132,725</u>
12 to 19 years	67,694	53,111	14,583	124,017	95,224	28,793
20 to 44 years	215,158	176,142	39,016	357,603	270,532	87,071
45 to 64 years	71,065	62,749	8,316	117,033	102,131	14,902
65 and over	12,839	11,958	881	17,171	15,571	1,600
Unkown	1,058	818	240	964	605	359
<u>Unemployed</u>	<u>27,459</u>	<u>26,101</u>	<u>1,358</u>	<u>40,921</u>	<u>25,237</u>	<u>15,684</u>
12 to 19 years	13,808	13,025	783	20,364	12,795	7,684
20 to 44 years	9,247	8,775	472	17,541	10,042	7,499
45 to 64 years	4,348	4,248	100	2,462	1,846	...
65 and over	5	5	...	523	523	...
Unkown	51	48	3	31	31	...

SOURCE: 1963 Census and July 1976 Household Employment Survey.

Table 6

COSTA RICA: ANNUAL GROWTH RATES OF LABOR FORCE  
AND EMPLOYMENT

BY AGE GROUPS AND SEX

(1963 - 1976)

LABOR FORCE	TOTAL	MEN	WOMEN
<u>Labor Force</u>	<u>3.99</u>	<u>3.37</u>	<u>6.63</u>
12 to 19 years	4.50	3.85	6.85
20 to 44 years	4.03	3.26	6.95
45 to 64 years	3.60	3.44	4.82
65 and over	2.49	2.31	4.70
Unknown	-0.83	-2.35	3.05
<u>Employed</u>	<u>4.06</u>	<u>3.62</u>	<u>5.89</u>
12 to 19 years	4.77	4.59	5.37
20 to 44 years	3.99	3.36	6.37
45 to 64 years	3.91	3.82	4.59
65 and over	2.26	2.05	4.70
Unknown	-0.71	-2.29	3.05
<u>Unemployed</u>	<u>3.12</u>	<u>-0.26</u>	<u>20.71</u>
12 to 19 years	3.03	-0.14	19.07
20 to 44 years	5.05	1.04	23.71
45 to 64 years	-4.28	-6.21	15.01
65 and over	43.0	43.0	--
Unknown	-3.76	-3.31	--

SOURCE: Table 5

Table 7

## COSTA RICA: EMPLOYED WAGE EARNERS BY INSTITUTIONAL SECTOR AND OCCUPATION

July 1976

	TOTAL	PROFESSIONALS	TECHNICIANS	ADMINISTRATORS	OFFICE EMPL. SALES PERSON.	BLUE COLLAR WORKERS	SERVICE PERSONNEL	UNKOWN
NUMBERS								
<u>TOTAL</u>	<u>447,395</u>	<u>16,256</u>	<u>30,634</u>	<u>13,885</u>	<u>74,480</u>	<u>234,035</u>	<u>76,685</u>	<u>1,420</u>
Central Gov.	48,174	7,068	15,847	1,753	9,176	5,998	8,168	164
State Enterprise	54,277	4,977	9,395	1,633	16,067	13,724	8,388	93
Private Sector	344,944	4,211	5,392	10,499	49,237	214,313	60,129	1,163
PERCENTAGES								
<u>TOTAL</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Central Gov.	10.8	43.5	51.7	12.6	12.3	2.6	10.7	11.5
State Enterprise	12.1	30.6	30.7	11.8	21.6	5.9	10.9	6.5
Private Sector	77.1	25.9	17.6	75.6	66.1	91.6	78.4	81.9

SOURCE: Household Employment Survey, July 1976.

Table 8

COSTA RICA: EMPLOYED WAGE EARNERS  
BY ECONOMIC ACTIVITY OCCUPATION  
July 1976

	Total	Profession- als	Technicians	Adm. & Managers	Office Empl. Sales Workers	Blue collar Workers	Service Personnel	Unknown
<u>Numbers</u>								
<u>Total</u>	<u>447,395</u>	<u>16,256</u>	<u>30,634</u>	<u>13,885</u>	<u>74,480</u>	<u>234,035</u>	<u>76,685</u>	<u>1,420</u>
Agriculture	118,886	408	479	4,241	769	111,599	1,390	--
Mining & Manuf.	73,869	1,303	791	2,001	9,803	52,403	7,238	330
Construction	32,676	328	2,794	195	995	27,070	1,232	62
Basic Services	28,685	656	1,210	709	5,686	17,772	2,621	31
Commerce	67,700	1,405	1,662	3,479	38,557	6,126	16,101	370
Other Services	122,805	11,910	23,636	3,014	18,094	18,068	47,857	226
Not well specified	2,774	246	62	246	576	997	246	401
<u>Percentages</u>								
<u>Total</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Agriculture	26.6	2.5	1.6	30.5	1.0	47.7	1.8	--
Mining & Manuf.	16.5	8.0	2.6	14.4	13.2	22.4	9.4	23.2
Construction	7.3	2.0	9.1	1.4	1.3	11.6	1.6	4.4
Basic Services	6.4	4.0	3.9	5.1	7.6	7.6	3.4	2.2
Commerce	15.1	8.6	5.4	25.1	51.8	2.6	21.0	26.1
Services	27.4	73.3	77.2	21.7	24.3	7.7	62.4	15.9
Not well specified	0.6	1.5	0.2	1.9	0.8	0.4	0.3	28.2

SOURCE: Household Survey July 1976.

Table 9

## EMPLOYMENT BY INSTITUTIONAL SECTOR

	1950	%	1973	%	1976	%	ANNUAL GROWTH RATES	
							1950/73	1973/76
<u>Total</u>	<u>279,953</u>	<u>100.0</u>	<u>544,776</u>	<u>100.0</u>	<u>661,788</u>	<u>100.00</u>	<u>2.9</u>	<u>4.2</u>
Private Sector	262,719	92.8	457,871	84.0	514,337	83.4	2.4	3.9
Public Sector <u>1/</u>	17,234	6.2	86,905	16.0	102,451	16.6	7.3	5.6
Central Govt.-.	14,564	5.2	40,362	7.4	48,174	7.8	4.5	6.1
State Enterprises	2,670	1.0	46,543	8.6	54,277	8.8	13.2	5.3

SOURCE: Census Data, Home Survey. C.C.S.S. and the University of Costa Rica

1/ The public sector is composed of central government and state enterprises. Information for 1950 comes from IECES, El Desarrollo Económico de Costa Rica, estudio No. 4., El Sector Público de la Economía Costarricense. For 1973, CCSS, Estadísticas de Asegurados. For 1976, the July Household Employment Survey.

Table 10

COSTA RICA: LABOR FORCE PARTICIPATION RATES 1/  
 BY AGE AND SEX COHORTS (1963 and 1976)

AGES	1963			1976		
	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN
<u>TOTAL</u>	<u>29.6</u>	<u>49.5</u>	<u>9.6</u>	<u>32.7</u>	<u>50.5</u>	<u>14.8</u>
12 to 19 years	35.9	58.6	13.5	34.1	50.0	17.5
20 to 44 years	58.1	97.1	20.2	61.0	94.5	29.7
45 to 64 years	54.3	95.7	12.2	51.9	88.9	13.7
65 and over	31.5	58.6	5.0	23.3	44.8	4.0
Unknown	...	...	...	75.2	77.6	71.4

1/ Labor force as a percentage of the population belonging to that particular age-sex cohort.

SOURCE: Table 5, 1963 Census and July 1976 Household Employment Survey.

Table 11

## COSTA RICA: UNEMPLOYMENT RATES

BY AGE AND SEX COHORTS  
(1963 - 1976)

AGES	1963			1976		
	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN
<u>TOTAL</u>	<u>6.9</u>	<u>7.9</u>	<u>2.1</u>	<u>6.2</u>	<u>5.0</u>	<u>10.6</u>
12 to 19 years	16.9	19.7	5.1	14.1	11.8	20.8
20 to 44 years	4.1	4.7	1.2	4.7	3.6	7.9
45 to 64 years	5.8	6.3	1.2	2.1	1.8	4.0
65 and over	--	--	--	3.0	3.2	--
Unknown	4.6	5.5	1.2	3.1	4.9	--

SOURCE: Table 5

Table 12

## COSTA RICA: PARTICIPATION RATES AND UNEMPLOYMENT

BY REGION (Urban and Rural)  
1963 and 1976

YEARS	POPULATION	LABOR FORCE	UNEMPLOYED	UNEMPLOYMENT Rate	PARTICIPATION Rate
1963					
<u>Country Total</u>	<u>1,336,274</u>	<u>395,273</u>	<u>27,459</u>	<u>6.9</u>	<u>29.6</u>
Rural	875,731	249,109	15,498	6.2	28.4
Urban	460,543	146,164	11,961	8.2	31.7
1973					
<u>Country Total</u>	<u>1,879,252</u>	<u>588,026</u>	<u>43,250</u>	<u>7.4</u>	<u>31.3</u>
Rural	1,115,747	332,609	26,712	8.0	29.8
Urban	763,505	255,417	16,538	6.5	33.5
1976					
<u>Country Total</u>	<u>2,009,322</u>	<u>657,709</u>	<u>40,921</u>	<u>6.2</u>	<u>32.7</u>
Rural	1,146,041	356,501	20,541	5.8	31.1
Urban	863,281	301,208	20,380	6.8	34.9

SOURCE: Table 3

Table 13

COSTA RICA: UNDEREMPLOYMENT AND ITS EQUIVALENT  
IN TERMS OF UNEMPLOYMENT  
1967 and 1976

	Rate of equivalent unemployment		
	36 hours criterion		47 hours criterion
	1967	1976	1976
Total	<u>11.4</u> <u>1/</u>	<u>9.1</u> <u>1/</u>	<u>6.9</u>
"Visible" underempl.	4.2 <u>1/</u>	4.0 <u>1/</u>	2.8 <u>2/</u>
"Invisible" underempl.	7.2 <u>3/</u>	5.1 <u>4/</u>	4.1 <u>5/</u>

- 1/ Persons who worked less than 36 hours per week, as a proportion of the labor force.
- 2/ Persons who worked less than 47 hours per week, and who wanted to work more, as a proportion of the labor force.
- 3/ Persons who worked 36 or more hours per week and whose income was less than ₡300 per month.
- 4/ Persons who worked 36 or more hours per week and who earned incomes less than ₡600 per month, as a proportion of the labor force.
- 5/ Persons who worked 47 or more hours per week and who earned an income less than ₡600 per month.

Table 14

POPULATION, LABOR FORCE AND EMPLOYMENT  
July 1976

	POPULATION	LABOR FORCE	EMPLOYED	UNEMPLOYED	INACTIVE POPULATION
<b>NUMBERS:</b>					
<u>Absolute figures</u>					
<u>Total country</u>	<u>2,009,322</u>	<u>657,709</u>	<u>616,788</u>	<u>40,921</u>	<u>1,351,613</u>
Central Valley	1,281,254	436,368	410,346	26,022	844,886
Metropolitan Area	549,232	196,283	184,401	11,882	352,949
Remainder of Central Val.	732,022	240,085	225,945	14,140	491,937
Rest of country	728,068	221,341	206,442	14,899	506,727
<u>Percentages</u>					
<u>Total country</u>	100.0	100.0	100.0	100.0	100.0
Central Valley	63.8	66.3	66.5	63.5	62.5
Metropolitan Area	27.3	29.8	29.8	29.0	26.1
Remainder of Cent. Valley	36.4	36.5	36.6	34.5	36.4
Rest of country	36.2	33.7	33.5	36.4	37.5

SOURCE: Home Employment Survey, 1976

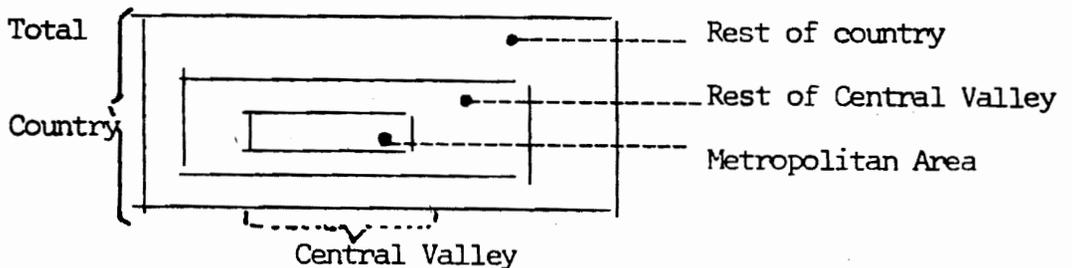


Table 15

PARTICIPATION RATES 1/ AND OPEN UNEMPLOYMENT

BY LOCATION AND SEX

(July 1976)

	Participation Rate			Unemployment Rate		
	Total	Men	Women	Total	Men	Women
<u>Country Total</u>	<u>32.7</u>	<u>50.5</u>	<u>14.8</u>	<u>6.2</u>	<u>5.0</u>	<u>10.6</u>
Central Valley	34.1	...	...	6.0	...	...
Metropolitan Area	35.7	49.7	22.9	6.1	6.1	6.0
Rest of Central Val.	32.8	...	...	5.9	...	...
Rest of Country	30.4	...	...	6.7	...	...

SOURCE: Home Employment Survey, July 1976

1/ Uncorrected for difference in the age composition of the underlying population.

Table 16

INTERNAL MIGRANTS TO THE METROPOLITAN AREA DURING THE LAST 3 YEARS  
THE CENTRAL VALLEY, AND THE REST OF THE COUNTRY ( July 1976)

NET INTERNAL MIGRATION	POPULATION	LABOR FORCE			INACTIVE POPULATION
		TOTAL	EMPLOYED	UNEMPLOYED	
<u>Metropolitan Area</u>	<u>512,329</u>	<u>196,283</u>	<u>184,401</u>	<u>11,882</u>	<u>316,046</u>
Immigrants	26,193	11,418	10,632	786	14,775
% immigrants	5.1	5.8	5.8	6.6	4.7
<u>Central Valley</u>	<u>1,193,798</u>	<u>436,368</u>	<u>410,346</u>	<u>26,022</u>	<u>20,752</u>
Immigrants	21,330	8,304	7,728	576	534
% Immigrants	1.8	1.9	1.9	2.2	2.6
<u>Rest of Country</u>	<u>669,076</u>	<u>221,341</u>	<u>206,442</u>	<u>14,899</u>	<u>23,060</u>
Immigrants	6,105	2,833	2,536	297	226
% immigrants	0.9	1.3	1.2	2.0	1.0

SOURCE: Household Employment Survey, July 1976.

Table 17  
AVERAGE SALARY BY REGION  
(July 1976)

REGION	TOTAL	URBAN	RURAL	URBAN/RURAL Ratio
<u>Country Total</u>	<u>1,090</u>	<u>1,377</u>	<u>800</u>	<u>1.72</u>
Metropolitan Area	1,464	1,497	1,306	1.15
Central Valley	1,156	1,406	799	1.76
Remainder of Country	928	1,234	802	1.54

SOURCE: Ministry of Labor and Social Security and  
Ministry of Economy, Industry and Commerce  
Home Survey, July 1976

Table 18

SECTORAL CONTRIBUTION TO LABOR ABSORPTION IN THE COUNTRY AS A WHOLE

SECTOR	LEVEL OF EMPLOYMENT					
	1973	1976	1973-76 Increase	1973	1976	1973-1976 Increase
<u>TOTAL COUNTRY</u>	<u>542,332</u>	<u>616,788</u>	<u>74,456</u>	Percentages		
				<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Agriculture	207,175	214,539	7,364	38.2	34.8	9.9
Industry and Manuf.	69,815	90,294	20,479	12.9	14.6	27.5
Construction	37,414	40,242	2,828	6.9	6.5	3.8
Basic Services <u>1/</u>	29,761	34,349	4,588	5.5	5.6	6.1
Commerce <u>2/</u>	79,734	100,804	21,070	14.7	16.3	28.3
Personal Services <u>3/</u>	117,252	133,312	16,060	21.6	21.6	21.6
Others <u>4/</u>	1,181	3,248	2,067	0.2	0.5	2.8

1/ Includes electricity, gas, water, transportation, storage and communication

2/ Includes wholesale and retail trade, hotels, restaurants and banking.

3/ Includes social, community and personal services

4/ Includes activities not well specified and unknown

Table 19  
 SECTORAL CONTRIBUTION TO LABOR ABSORPTION  
 IN THE METROPOLITAN AREA OF SAN JOSE

SECTOR	LEVEL OF EMPLOYMENT					
	NUMBERS			PERCENTAGES		
	1973	1976	1973-76 increase	1973	1976	1973-1976 increase
Total Metropolitan Area	<u>160,693</u>	<u>184,401</u>	<u>23,708</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Industry and Manuf.	35,160	42,795	7,635	21.9	23.2	32.2
Construction	13,102	14,114	1,012	8.2	7.6	4.3
Basic Services <u>1/</u>	10,675	10,428	- 247	6.6	5.7	1.0
Commerce <u>2/</u>	40,484	50,907	10,423	25.2	27.6	43.9
Personal Services <u>3/</u>	55,677	59,936	4,259	34.6	32.5	18.0
Others <u>4/</u>	5,594	6,221	626	3.5	3.4	2.6

1/ Includes electricity, gas, water, transportation, storage and communication

2/ Includes wholesale and retail trade, hotels, restaurants and banking.

3/ Includes social, community and personal services

4/ Includes activities not well specified and unknow.

Table 20

EQUIVALENT UNEMPLOYMENT RATES BY EMPLOYMENT TYPE

(July 1976)

TYPE OF UNDEREMPLOYMENT	Whole Country	Metropolitan Area	Urban San Jose	Rural
<u>Visible</u>				
i. Relative to employed pop.	3.0	1.5	2.4	3.4
ii. Relative to labor force	2.8	1.4	2.2	3.3
<u>Invisible</u>				
i. Relative to labor force	4.1	3.6	3.6	4.4
<u>Total Unemployment Equivalent</u> (relative to labor force)	<u>6.9</u>	<u>5.0</u>	<u>5.8</u>	<u>7.7</u>
Open Unemployment Rate	6.2	6.1	6.8	5.8
<u>Total Unemployment Rate</u> (open plus equivalent from under- employment)	<u>13.1</u>	<u>11.1</u>	<u>12.6</u>	<u>13.5</u>

SOURCE: Home Employment Survey, July 1976

Chapter IX. URBAN ADMINISTRATION AND FINANCE

CONTENTS

	<u>Pages</u>
A. Major Findings and Policy Conclusions	156
B. Role of the Public Sector: Size and Composition	156
C. Institutional Structure of the Public Sector: Autonomy vs. Coordination	158
D. Three Aspects of the Decentralization Issue	159
E. The CANcito Experience	160
F. Beyond CANcitos	161
G. A Possible Structure in the Urban Sector	162
H. Finance of Services	164

A. Major Findings and Policy Conclusions

- The role of the public sector, in terms of employment, production, and capital formation, has been constantly increasing since the 1950's.
- New mechanisms for planning interagency coordination and the localization of authority --i.e., devolution of effective power to mobilize and integrate political resources with technical resources-- will need to be developed for urban poverty programs. Lessons may be learned from the more extensive experiences in rural areas.
- The traditional municipal structure will not be adequate to develop a service structure for the urban poor.
- Whatever the mechanisms, they must form a framework for all agencies operating in the urban environment, and focus on the perceived needs of the urban poor in order to maximize local participation.
- There are a number of positive and negative factors which must be considered in determining the advisability of self-financing poverty programs. These factors should be evaluated for individual programs and decisions made on a case-by-case basis.

B. Role of the Public Sector: Size and Composition

The history of modern Costa Rica begins in 1949, in the aftermath of World War II, the Civil War of 1948 and the promulgation of the new constitution of 1949. The year 1950 is an appropriate benchmark to trace the evolution of the public sector. In the quarter century 1950-1975, public sector employment increased fourfold, growing at 6.4 percent per year during the following decade 1965-1975. (See table 1.) The 86,000 employees of this sector in 1975 comprised 15 percent of all workers in the country; their output accounted for nearly 20 percent of the gross domestic product.

Table 1. Public Sector Employment, 1950-1975

Sector	Number employed in thousands and (percentages)					
	1950	1955	1960	1965	1970	1975
Central Gov't (pct)	15 (85)	22	24	28 (66)	31	45 (53)
Auton. Instit. (pct)	3 (15)	8	5	11 (26)	19	36 (41)
Municipalities (pct)	-- ( 0)	2	--	4 ( 8)	3	5 ( 6)
Total (pct)	17 (100)	32 (100)	29 (100)	43 (100)	54 (100)	86 (100)

Municipal government growth has been relatively slow and uneven, with a net increase of 57 percent in employment for the recent decade 1965-1975; the Central Government (mainly ministries) grew by 59 percent in the same decade. The fastest increase came in the autonomous institutions of the public sector, whose decadal growth was 211 percent. Its acceleration in the more recent five-year period is shown in table 2.

Table 2. Average Annual Rates of Growth of Employment, 1965-75

Municipal government	4.6%
Central government	4.7
Autonomous institutions	7.7
(Auto. Inst. 1970-75)	13.3

Public employees made up 63 percent of the service sector in Costa Rica (as of 1973). Growth of public service employment has been rapid, rising from 48 to 63 percent of the service sector in the five year period 1968-73, while the public share of gross capital formation increased more slowly, from 24 to 28 percent over the twelve-year period 1962-74. In this sense the evolution of the public sector has been considerably more

vigorous in the direction of providing services --and possibly acting as an employer of last resort -- than it has in the role of exercising direct control over capital investment. (In 1976, capital expenditures made up 49 percent of expenditures for the Central Government, and 49 percent of expenditures by municipalities.) Also, it should be noted that a substantial part of the increased public sector employment represents teachers.

Some of the growth of autonomous institutions represents a take-over of functions formerly performed by the Central Government, just as the earlier decline of municipal and autonomous government employment in the 1955-1960 period may have represented a centralization of previously decentralized activities. The trend toward "decentralization" (actually toward administrative devolution rather than geographic diffusion of authority) creates both problems and opportunities that will be discussed later in this chapter.

#### C. Institutional Structure of the Public Sector: Autonomy vs. Coordination

Costa Rica has many organizational units whose relationships with one another are often unclear regarding functions, required interactions, and lines of authority.

The Central Government consists of the ministries (92 percent of its budget) as well as other constitutional bodies (8 percent). The budgets of the ministries are approved by the President of the Republic and enacted into law by the Legislative Assembly; their budget execution and personnel management are subject to various other procedures and controls.

The autonomous institutions are headed by boards of directors, in many cases appointed by the Council of Government (that is, by the President of the Republic), and including no members who represent ministries or other agencies or special interests. This system rather effectively assures that coordination of effort cannot be enforced at the ministerial level. The agencies' operating budgets are adopted by their boards with the approval by the Controller General; and, in the case of investment or capital expenditures, by the Ministry of Planning (OPTPLAN). Most autonomous agencies are exempt from many or all of the administrative requirements to which the ministries are subject.

The process of "decentralization" however, has not been without reversals. As shown in Table 1, during the period 1955-60, functions were consolidated back into the Central Government and away from municipal and autonomous agencies. The case for coordinated government is not new, with the Spanish colonial system of administration seen as the epitome of central coordination. The argument for coordination is heard repeatedly within planning and technical assistance circles, but it is well to review briefly the rationale for having given agencies their autonomy in recent years:

- They reflect new and progressive legislation that permits them to circumvent the traditional, often ponderous and inappropriate regulations of central government and to create new checks and balances between the judicial, executive, and legislative branches.
- They provide new organizational settings designed to accommodate new activities and decision procedures, with room for innovation and initiative-taking made possible by their very newness (apart from the formal structures). Part of this is accomplished through newly created linkages to other institutions.
- They provide professional depth of specialization on focussed problem areas.
- They separate governmental roles from party politics, and also provide continuity from one presidential administration and the next.
- In some respects, they may provide coordinative functions, by assuming responsibilities that cut across previous task divisions among traditional ministries.

#### D. Three Aspects of the Decentralization Issue

It is important to separate three issues underlying the theme of "decentralization" in Costa Rica. One refers to devolution of authority to outlying regions. This is manifested in the current OFIPLAN effort to create the six Planning Regions to replace (or supplement) traditional provincial divisions. A second issue concerns administrative delegation of functions between central government and autonomous agencies, the pros and cons of which have just been reviewed. The third issue, which is probably of most importance for an integrated and coordinated attack on urban poverty in selected areas, refers to the localization of authority which requires devolution of effective power to mobilize and integrate political resources on the one hand with technical means on the other. Examples of units that might be strengthened in this way are municipalities, community development associations, or even special agencies created to represent the tugurio nucleos recently defined by INVU in collaboration with numerous other agencies, in connection with the housing and income generation projects.

A basic principle underlying this latter approach --the localization of authority-- is that effective coordination and adaptation of programs to needs can only take place if effective political and technical powers are vested in people who deal close-up with the area or region in question. This was the basic idea of the Tennessee Valley Authority,

and one of the guiding principles of the land grant college system. More recently Community Development Corporations (CDCs) have carried the same notion into the urban poverty scene. Although CDC successes have been mixed they have helped to clarify what it takes to improve the effectiveness of new CDC efforts. <sup>1/</sup>

United States models cannot be directly imported to Costa Rica; however, within Costa Rica itself at least one prototype deserves special attention. This is the fairly long experience with CAnCitos, or decentralized versions of the Consejo Nacional Agropecuario or CAN. It would need to be modified for use in the urban sector, but it nonetheless does provide useful experience.

#### II. The CAnCito Experience

CAnCitos were conceived to respond to the same problems of local program coordination which confront the urban sector; therefore, their successes and failures bear careful scrutiny. The CAnCito model is a good place to begin, not simply because the underlying logic is sensible, but because they have yielded a substantial body of empirical knowledge which reveals some of the pitfalls of putting similar good ideas into practice in urban areas.

Costa Rica's National Agricultural Council (CAN) is responsible for overall coordination of rural sector development activities. Formerly composed of the heads of most of the agencies involved in the rural sector (19 members), this unwieldy body was recently reduced to seven members from key agencies.

The new CAN consists of the Minister of Agriculture who is Chairman and the following members:

- Minister of Planning (OFIPLAN)
- Minister of Economy, Industry and Commerce (MEIC)
- Minister of Presidency (the first Vice-President)
- Executive President of the National Production Council (CNP)

<sup>1/</sup> See Charles Hampden-Turner's recent book, From Poverty to Dignity.

- President of the Central Bank, and the
- Executive President of the Institute of Lands and Colonization (ITCO).

Much of what CAN discusses are plans for studies, projects, and plans submitted by the Agricultural Sector Planning Office (OPSA), a group of thirty technicians with specialties in planning, agricultural economics, agronomy, resources, meteorology, statistics, etc. Given the ability of the members to commit their respective institutions to action, the group decision become policy in the agricultural sector. When the CAN approves a project it is passed on for implementation to the Technical Committee for Agricultural Sector Planning (COTEPSA), which consists of the heads of the planning departments of each sector institution. The system has been in full operation since Mid-1976, and already has achieved notable success with a coordinated cotton production project and some smaller research and survey activities.

The CAN functions at the regional level through CANcitos under the leadership of regional agricultural directors representing the Ministry of Agriculture (MAG). These CANcitos have been as yet largely ineffective, due to a variety of causes, including the fact that only the MAG has truly regionalized operations. The MAG has divided the country into eight agricultural regions, each with a Regional Agricultural Center (CAR) presided over by a director responsible to one of the Vice-Ministers. All Ministry operations in a region are under the control of the CAR director. In contrast, most of the other institutions have highly centralized operations, with the San José office controlling all policy decisions.

#### I. Beyond CANcitos

A local-level semi-public institution existing in certain areas is the Cantonal Agricultural Committee. Composed of community members concerned with agricultural development, these committees can be funded, according to the current law, out of a specific tax on sugar cane production in each Cantón (county). The few cantons where these committees work vigorously are, not surprisingly, those with significant sugar production. The committees in these areas work closely with the MAG and other institutional staffs to promote agriculture in their areas. Activities include experimental farms, nurseries, demonstration projects, agricultural scholarships, and fish ponds.

### G. A Possible Structure in the Urban Sector

It should also be noted that several inter-agency coordination efforts have been recently initiated in the San José Metropolitan Area. In one large lower class area, all the principal public and private service agencies have been grouped together in the same physical facility and operate under an inter-agency committee structure to coordinate services. The PROVIS system (described in the Chapter X: Housing) also represents such a coordinated effort in low-cost housing. Additionally DINADECO, <sup>2/</sup> the GOCR community development agency, is significantly increasing its efforts in urban areas to strengthen both community based organizations and to coordinate public and private services focussed on tugurios.

Adaptation of the rural focussed "local committee" model to urban areas, however, would need further study, with attention to legal precedents, the substantive nature of urban vs. rural problems, and the organizational talent, attitudes and solidarity of potential urban participants, as well as better indepth understanding of the rural precedents themselves. At this point all that can be offered is a strong recommendation that a feasibility study of this sort be undertaken as part of any other scheme to implement coordination structures in programs aimed at urban tugurios.

There are several points which can be considered in trying to determine the type of structure which could serve the urban sector in a way similar to the CANcito system.

1. Communities and cantones located in the San José Metropolitan area are part of a large conurbation in which the physical, political, and institutional boundaries of municipal government have in effect ceased to be valid. Unlike their rural counterparts, urban municipalities are not the most important source of public service and their individual identities are obscured in a large mass of urban structures which cross the limits of cantones often making it difficult to say where one cantón ends and the other begins, or which municipality should serve wh:

<sup>2/</sup> Before 1967, various Costa Rican Government Institutions had small offices involved in community development, with resulting loss of resources and multiplicity of efforts. DINADECO was formed to remedy this situation by centralizing community development in Costa Rica with the help of specialized personnel, community level staff, material resources and technical and educational aids.

barrio. Furthermore, urban municipalities are physically located in an area where they compete with larger public sector entities and where the population is accustomed to dealing with higher-level sources of power. In other words, the concept of using the municipal unit as a focal point in developing a service structure to the urban poor does not appear to be adequate.

2. Public sector agencies in the San José Metropolitan Area serve a wide variety of "clientela". Each socio-economic level is faced with problems peculiar to its immediate microcosm, in addition to those affecting the entire urban environment. Thus a standardized vertically integrated delivery system of services does not reflect the needs of the varied groups located at each income level.

3. The Costa Rican urban poor are close to the news media and are well informed about politics and the country's current situation. This may or may not be conducive to cooperation in community efforts; the issue will need to be addressed in more detail in the future.

4. Urban planning, defined in a broad sense beyond housing and infrastructure, is a new phenomenon in Costa Rica. Planners have to deal with a wide range of problems and complaints --city beautification, pollution, quality of life, alcoholism, crime, unemployment. These illustrate the complexity of dealing with the urban environment and the potential conflicts in trying to develop even a local consensus of priority needs.

5. One other aspect to be taken into account when trying to define an integral system of services for the urban poor, is the way in which both the public entities and the beneficiaries perceive each other's roles and responsibilities. One example is the Family Allowances Program (Asignaciones Familiares) which relies heavily on community cooperation and volunteer work, and has elicited local participation and a sense of pride and responsibility on the part of beneficiaries and volunteer workers. This may be due in large part to the promotion and motivation efforts of DINADECO. The Ministry of the Presidency is seriously trying to coordinate efforts addressed to alleviate urban poverty but appears to be dealing with the problem in a piece meal basis vis a vis the elimination of slum pockets, rather than as part of a larger more comprehensive strategy which can coordinate substantial public investment and foreign capital inputs.

## H. Finance of Tugurio Services

Elaboration on questions of public finance should follow from more specific identification of urban poverty intervention strategies, the types of institutions to become involved, and the extent to which such programs will be self-financing over the long run. No systematic study of these financial considerations has been carried out in this sector analysis, but some consideration should be given to the following in the course of such a study.

- Realistic assessment should be made of the incidence of alternative financial schemes, with attention both to direct impacts (especially the incidence of tax levies between different income groups), and indirect impacts (for example, social charges against wages possibly encourage employers to use capital intensive methods).
- Early attention should be given to identifying "outlet" institutions that are working closely with poor communities, but which, for this very reason are not well recognized by technical assistance agencies and not adept at making a case for themselves as recipients of public funds. Just as public sector planning has a tendency to neglect the role of the private sector, it also tends to overlook some very imaginative, cost-effective, and adaptable poverty interventions undertaken by small-scale private and voluntary agencies, or by community based groups.

In view of the Government of Costa Rica and AID's growing interest in the self-financing possibilities of poverty programs, careful thought should be given to the pros and cons of such a strategy, and to defining the conditions under which such programs will or will not be successful. Advantages of self-financing programs include the following:

- They help focus attention on the need for economy in the design of programs. Too many poverty intervention experiments in the past have been extremely expensive and could only reach the total target population by an investment of the total national budget. This is an important perspective that comes from looking at urban poverty intervention as a sector concern rather than as a succession of individual projects and programs.
- They encourage strategies that build on self-reliance, an ingredient of poverty intervention strategies that mobilizes otherwise untapped sources of local capital, local initiative, and local pride.

- They help avoid backlash from other groups that may feel resentful about subsidizing the poor when they themselves "did it by their own bootstraps".
- They put emphasis on productive activity, as opposed to stop-gap welfare.

Drawbacks to the self-financing schemes also deserve note:

- The question of social justice: should the poor people now be expected to pay their own way, while alongside these programs are other programs for the not-so-poor, which continue to be heavily subsidized?
- Target population: self-financing schemes are probably realistic for people who have the motivation, education, health, family situation, location, and other circumstances that fit them to be productive when given the chance. There are probably substantial numbers of poor, however --especially on the lowest end of the scale-- who do not fit this description. For these, subsidized programs may be necessary supplements to self-financing schemes.
- Self financing schemes require start-up credit, but if repayment falls behind, debt servicing can become a heavy burden, and jeopardize otherwise sound programs, giving ammunition for criticism that would not arise in traditional subsidized programs.

A recent report on self-finance possibilities for urban infrastructure works in Costa Rica <sup>3/</sup> concluded that:

- Such "valorization" schemes are weak and sporadic, and practically non-existent with respect to application to tugurio areas
- Existing legislation would permit municipalities to administer a valorization system under contractual arrangements through IFAM, the National Municipal Development Agency.
- The administrative cost of such an arrangement would be approximately 10 percent of the cost of sub-project construction under the contemplated Urban Loan for Community Infrastructure Improvements (for proposed AID assisted urban environment project).
- The probable cases of low capacity to pay in the tugurios can be compensated by extended payment terms and/or some element of government subsidy.

<sup>3/</sup> Pedro Pablo Morcillo y Asociados, "Tasa de Valorización Obras de Infraestructura" San José, Costa Rica, August 1977.

Chapter X. HOUSING

CONTENTS

	<u>Pages</u>
A. Summary and Policy Conclusions	168
B. Dimensions of the Housing Problem	169
1. Housing Stock and Conditions	170
2. Housing Production	172
3. Housing Need and Deficit	172
a. Costa Rica	172
b. "Barrios Marginales" in the San José Metropolitan Area	174
4. Housing Market	178
a. Income Distribution	178
b. Housing Demand	178
c. Housing Tenancy, Needs and Effective Demand in the "Tugurios"	180
C. Resources for Solution of the Problem	182
1. The Construction Industry	182
2. Construction Codes and Permits	183
3. Availability and Use of Land	184
4. Housing Development and Finance Institutions	185
a. National Banking System	185
b. Savings and Loan System	186
c. Social Assistance Institute (IMAS)	186
d. National Housing Agency (INVU)	187
e. The Integrated Program of Social Interest Housing (PROVIS)	191
f. Costa Rican Social Security Fund (CCSS)	191
g. National Insurance Institute (ENS)	192
h. The People's Communal Development Bank	192

	<u>Pages</u>
D. Factors Affecting Housing Development	193
1. Political and Institutional Constraints	193
2. Social and Design Factors	195
E. Toward a Solution of the Problem	196
1. National Housing Policy	196
2. Housing Finance Requirements	197

## Chapter X. HOUSING

### A. Summary and Policy Conclusions

- Housing conditions improved considerably between 1963 and 1973, although tugurio housing remains more deteriorated than housing elsewhere in the Metropolitan Area.
- Institutional housing investment in 1976 totalled 0476 million and 0572 million is anticipated for 1977. This is considered to be sufficient to meet the aggregate demand for new housing if a proper distribution of funds can be made. There is also sufficient construction capacity to accommodate a substantial increase in housing programs.
- A rational National Housing Policy should be formulated in order to permit the more effective and efficient use of available financial and institutional resources. Special effort needs to be directed toward the institutional factors which have prevented adequate investment funds from reaching low-income families.
- Purchasing power, currently channeled into rental payments, is available for modest housing solutions. However, for those families in tugurios whose low incomes do not permit pay-as-you-go solutions to their housing problems, a variety of social assistance institutions already exists to help. The creation of new institutions to fill existing gaps is thus, in principle, not necessary.
- Poor housing is only one facet of tugurio poverty. To attack the "housing problem" in an isolated fashion risks the same failures that similar tunnel vision approaches have produced in more affluent countries.
- Costa Rica has some experience with self-help housing (autoconstrucción) which suggests that self-help housing provides shelter, engenders

community spirit, builds construction skills of the residents, and stimulates the formation of attitudes needed for continued personal and neighborhood development. The joining of self-help housing solutions with the physical infrastructure associated with the sites-and-services approach seems a particularly desirable combination.

- Housing solutions should involve as little abrupt changes in the lives of the residents as possible. In particular, improvement of existing structures is to be preferred over demolition, forced transfer to new areas, or the construction of vast new housing projects which do not have the rich social and economic relationships present in traditional or self-created neighborhoods.
- Except for the relatively few subsidized units constructed by IMAS, lower income (lower 30th percentile) families have no choice but to rent substandard housing at high rates.
- There is a need to establish in a national housing institution a mechanism for rehabilitating/upgrading existing tugurio housing and constructing minimum housing solutions.

## B. Dimensions of the Housing Problem

### Introduction

Although the focus of this study is the San José Metropolitan Area, it is useful to compare housing conditions at the Metropolitan level with conditions at the national and individual tugurio levels.

Tugurio neighborhoods are defined as concentrations of deteriorated housing. While poverty and unemployment may not be notable in their degree of spatial concentration, bad housing is. Yet, as more affluent countries have discovered, the improvement of deteriorated neighborhoods carries considerably broader implications than mere physical remodeling. The way of life of the residents and their capacity for self-organization are key elements in any policy to upgrade the conditions under which they live.

This chapter deals with circumstances surrounding housing problems in Costa Rica, focuses on housing conditions in the surveyed tugurios, outlines the activities of public institutions that have been active in housing construction and housing credit, and finally suggests that attitudinal values should affect both the architectural features of low-cost housing and urban development in the neighborhoods where low-cost housing projects are implemented.

1. Housing Stock and Conditions. On the basis of the housing census, the housing situation in 1963 and in 1973 can be compared (see Table 1). The variables selected show a notable improvement in the housing situation during the intercensal period. For example, in the nation as a whole the incidence of houses in "good" condition grew by 70%, the degree of overcrowding fell by 12%, the number of houses with sewage connections or septic tanks increased by 42%, and the number with indoor plumbing increased by 27%. The results at the other two levels of aggregation also show significant improvement since 19

Housing conditions in San José are better than in Costa Rica as a whole, with the rest of the Urban Agglomeration occupying an intermediate place. For example, in 1973, a little more than half of the houses in the nation as a whole were considered in "good" structural condition. The proportions for the Metropolitan Area and for the rest of the Urban Agglomeration were somewhat less than two-thirds.

Manuel Carvajal has noted in his study of housing and land markets that the relative importance of renting as a form of tenancy in San José reflects the high degree of monetization of the residents of the zone with respect to other regions. Nevertheless, the proportion of owner-occupied houses has shown a small increase in the capital city as well as in other areas. This is motivated in part by the activities of the National Housing Agency (INVU) and the increased availability of housing credit during the 1963-1973 period. 1/

One important reason for better housing conditions in San José is access to public services infrastructure. Practically all houses in San José have running water, and 80%

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1/ Manuel Carvajal, "Mercado de Vivienda y Tierras", published in Políticas de Crecimiento Urbano.

TABLE 1

INDICATORS RELATED TO THE HOUSING SITUATION IN THE  
METROPOLITAN AREA AND THE REMAINDER OF THE  
URBAN AGGLOMERATE (1963-1973)

INDICATOR	COSTA	RICA	METROPOLITAN AREA		REMAINDER URBAN AGGLOMERATE	
	1963	1973	1963	1973	1963	1973
HOUSING						
TOTAL	231,153	332,212	63,083	96,997	38,189	59,197
<u>CONDITION</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Good	31.6	53.8	48.9	64.9	38.0	61.6
Fair	34.4	32.7	32.4	25.4	30.9	28.0
Poor	34.0	13.5	18.7	9.7	31.1	10.4
<u>TENANCY</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Owned	56.3	60.3	48.3	52.5	57.8	62.1
Rented	24.0	22.9	42.9	41.2	23.2	19.3
Other	19.7	16.8	8.8	6.3	18.9	18.6
<u>MATERIAL</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Wood	85.5	77.5	79.1	64.1	76.8	73.4
Concrete	5.7	16.9	14.6	33.0	5.7	18.5
Adobe	5.1	2.3	5.4	2.3	16.6	7.2
Other	3.7	3.3	0.9	0.6	0.9	0.9
<u>BATHROOM</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Indoor						
Plumbing	57.0	72.4	93.1	96.8	72.3	89.2
Other	5.6	5.3	0.4	0.8	1.2	1.2
None	37.4	22.3	6.5	2.4	26.4	9.6
<u>SEWERAGE</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Sewer and						
Septic Tank	29.8	42.2	61.4	78.0	31.2	42.5
Latrine-						
Cement	19.0	27.3	19.8	15.2	33.0	40.2
Wood	24.7	16.3	14.9	5.5	24.7	14.2
Other	1.0	1.1	0.6	0.3	0.2	0.1
None	25.5	11.1	3.3	1.0	10.9	3.0
<u>CONDITIONS</u>						
<u>OF OVER-</u>						
<u>CROWDING</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Overcrowded	25.8	22.0	17.9	15.6	18.8	14.2
Not Over-						
crowded	74.2	78.0	82.7	84.4	81.2	85.8

have sanitary service either through sewer connection or by septic tank. The availability of these services in other zones is less common.

Only with relation to overcrowding, defined by the presence of two or more persons per room, is the situation of the entire Urban Agglomeration slightly more favorable than San José. The degree of overcrowding in both regions is much less than in Costa Rica as a whole.

Housing conditions in the barrios marginales are discussed later in this chapter and shown in Tables 3 and 4.

2. Housing Production. According to information taken from an April 1977 study by INVU, as well as annual reports from the various institutions financing housing in Costa Rica, between 10,800 and 12,700 housing units were produced in 1976. Approximately 85% of these units were built in the San José Metropolitan Area. The largest producer was INVU with approximately 3,900 units, followed by the Savings and Loan system with approximately 2,650 units. IMAS produced approximately 830 units most of which were in the rural areas.

3. Housing Need and Deficit.

a. Costa Rica. The housing deficit for Costa Rica has been estimated between 100,000 and 150,000 units. This is a misleading index, however, since criteria used in calculating the deficit are often higher than the standards applied in developing new low-income housing programs.

Table 2 below combines 1973 Census data on housing conditions and overcrowding to provide a rough estimate of the housing deficit. Houses in poor condition and those in fair condition but overcrowded are considered to be deficient.

TABLE 2

COSTA RICA: HOUSING DEFICIT, BY AREA, 1973

Area	Total Housing Units	Houses in Poor Condition	Over-crowded "fair" Houses	Total	% of Deficient Housing Units
Costa Rica	330,857	44,622	32,315	76,937	23.2
Urban Agglomeration	156,194	15,797	9,755	25,552	16.4
Metropolitan Area	96,997	9,610	6,276	15,886	16.4
Rest of the Urban Agglomeration	59,197	6,187	3,479	9,666	16.3

This estimated housing deficit could also be overstated, since not all the houses in "fair" condition that are overcrowded need to be replaced by new units. Part of the problem could be resolved by adding the rooms necessary to eliminate the overcrowding. Nevertheless, about half the houses in "poor" condition have more than six occupants, suggesting that many are occupied by two or more family units. For this reason, there will be occasions in which it will be necessary to construct two or more new houses in order to substitute for one house in "poor" condition.

Table 2 shows that the housing situation in the Metropolitan Area is better than in the rest of the country. This is partially because houses in the rural zone tend to be smaller in relation to family size, resulting in a higher degree of overcrowding. In estimating the demand for new housing, it is assumed that most families who rent would prefer to have their own house. We find that in the whole Urban Agglomeration, 32 percent of the families rented houses, a figure that rises to 41 percent in San José itself (see Table 1).

b. "Barrios Marginales" in the San José Metropolitan Area. The Household Survey done in May - June 1977 by the Information Office of the Ministry of the Presidency, using a sample size of 575 houses in areas previously classified as "marginal" provides extensive information on the socio-economic situation prevailing in these neighborhoods. The following sub-sections offer some data related to the housing situation.

Housing Conditions. Table 3 shows some of the indicators that are most important with respect to housing conditions. The percentage of housing in "poor" and "fair" condition is 78 percent, much higher than the 35 percent for San José as a whole in 1973. The same situation is reflected in the degree of overcrowding. In the barrios marginales, 32 percent of the houses are overcrowded (see Table 4), while in the San José Metropolitan Area and the rest of the Urban Agglomeration, the corresponding percentages are 15.6 and 14.2 percent, respectively.

Nevertheless, with respect to the supply of essential public services, substantial differences are noted. About 95 percent of the tugurio houses have inside plumbing, 58 percent have sanitary services in the form of sewer or septic tank, and 94 percent have piped water supplies. These figures are very similar to those for the San José area and higher than those for the rest of the Urban Agglomeration and for Costa Rica as a whole. Nevertheless, there are significant differences when one examines whether the public services are individually or collectively used. For example, individually based sanitary services of sewer and septic tanks in the whole Metropolitan Area are provided to 80 percent, compared to 42 percent in the barrios marginales. Collective latrines are used by 12 percent of the houses in the barrios marginales and by only 7 percent of the houses in San José as a whole. In the barrios marginales, a total of 21 percent of the houses share their sanitary facilities while in San José as a whole, only 12 percent do so.

In the surveyed tugurio neighborhoods, the size of lots and houses tend to be small: 46 percent of the lots measured 150 square meters or less, and 54 percent of the houses have less than 60 square meters. The predominant material used in construction is lumber.

Although the percentage of houses in "poor" or "fair" condition is quite high, it is striking that 22 percent of the houses have been classified as "good", since the survey was taken using a sample of neighborhoods previously identified by the National Housing Agency (INVU) as the most deteriorated neighborhoods in the whole metropolitan area.

TABLE 3

SOME INDICATORS OF THE CONDITION OF HOUSING IN THE  
MARGINAL BARRIOS (JUNE 1977).

<u>INDICATORS</u>	<u>NUMBER</u>	<u>PERCENTAGE</u>
<u>CONDITION OF THE HOUSING</u>	<u>575</u>	<u>100.0</u>
Good		21.7
Fair		45.0
Poor		33.3
<u>SANITARY SERVICE</u>	<u>575</u>	<u>100.0</u>
Individual Sewerage and Septic Tank	283	49.2
Individual latrine	158	27.5
Collective sewer and septic tank	51	8.9
Collective latrine	69	12.0
None	14	2.4
<u>LIGHTING</u>	<u>575</u>	<u>100.0</u>
Electric	531	92.3
Kerosene	13	2.3
Other	19	3.3
None	12	2.1
<u>BATH</u>	<u>575</u>	<u>100.0</u>
Individual Plumbing	436	75.8
Group plumbing	109	19.0
Other types	14	2.4
None	16	2.8
<u>AREA OF CONSTRUCTION (M<sup>2</sup>)</u>	<u>575</u>	<u>100.0</u>
Less than 40	202	35.1
40 to 80	173	30.1
80 to 50	110	19.1
More than 150	58	10.1
Not reported	32	5.6

Continued

<u>INDICATORS</u>	<u>NUMBER</u>	<u>PERCENTAGE</u>
<u>LOT SIZE (M<sup>2</sup>)</u>	<u>575</u>	<u>100.0</u>
Less than 40	92	16.0
40 to 80	91	15.7
80 to 150	80	13.8
More than 150	119	21.0
Not reported	193	33.5
<u>PREDOMINANT MATERIAL</u>	<u>575</u>	<u>100.0</u>
Cement	54	9.4
Lumber	495	86.1
Adobe	7	1.2
Other	19	3.3

Field studies make clear that the housing situation there is far from homogeneous. Deteriorated houses are next door to houses that could not be considered poor or marginal. While site conditions in the tugurio neighborhoods vary greatly, it can generally be stated that drainage, street upgrading and pedestrian walks are the most severe site problems. Generally, the tugurios also lack community facilities and recreational areas.

TABLE 4

SOME INDICATORS OF THE CONDITION OF HOUSING IN THE MARGINAL BARRIOS  
JUNE 1977

INDICATORS	GOOD	FAIR	POOR	TOTAL
TOTAL	123	259	193	575
<u>CROWDING</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Crowded	10.7	30.0	51.0	31.7
Not crowded	89.3	70.0	49.0	68.3
<u>TENANCY</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Rented	43.4	54.9	51.8	51.2
Owned with deed	47.4	24.7	16.0	26.6
Owned without deed	5.9	12.7	13.0	11.3
Other	3.2	7.7	19.2	10.8
<u>WATER SUPPLY</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Inside plumbing	99.2	91.5	64.2	84.0
Outside plumbing	0.8	6.2	19.7	9.6
Public fountain	-	0.4	9.8	3.5
Well	-	-	0.5	0.2
River	-	-	3.6	1.2
Other	-	1.9	2.1	1.5
<u>FAMILY SIZE</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
1-2	8.1	10.8	14.5	11.5
3-4	43.1	38.2	29.5	36.3
5-6	30.9	26.6	29.0	28.3
7-9	13.8	17.4	19.7	17.4
10-16	4.1	6.2	7.3	6.1
+ 16	-	0.8	-	0.3
<u>FAMILY INCOME (¢)</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
000 - 399	0.8	1.9	3.1	2.0
400 - 799	3.3	5.4	15.5	8.4
800 - 1249	10.6	22.1	26.4	21.0
1250 - 1999	23.6	28.6	26.5	26.8
2000 - 5999	52.8	36.7	24.9	36.2
6000 and more	3.3	1.9	1.6	2.1
Unknown	5.7	3.4	2.1	3.5

#### 4. Housing Market.

a. Income Distribution. The most recent survey of family incomes for the entire Metropolitan Area was undertaken by the Dirección General de Estadísticas y Censos in 1974 using a sample of 1871 families. Income distribution has been up-dated subsequently to 1977 by applying a 20 percent increment to the lower half, a 15 percent increment to the third quartile, and a 10 percent increment to the upper quartile. The adjusted income distribution table appears as Table 5. According to this distribution, the median family income in the San José Metropolitan Area in mid 1977 was ₡2,202 or \$258. There is no recent income survey for the Urban Agglomeration. Although it is likely that incomes are lower in the outlying areas of San José, for lack of more precise data, the same income distribution has been assumed for the Urban Agglomeration as for the Metropolitan Area.

While the data on income distribution among families is not completely reliable, the 1974 survey of family income distribution carried out by the Costa Rican Dirección Nacional de Estadística y Censos, can be compared with the 1977 distribution of family income derived from the tugurio survey made by the Oficina de Información (See Table 3). The striking conclusion about the two is their similarity. Only in the highest income bracket, ₡6,000 (US\$ 702.58) and over per month, is the distribution notably different. This implies, as do some other findings in this assessment, that while considerable poverty does exist in absolute terms and while the barrios marginales ("tugurios") may have higher concentrations of poverty than elsewhere, the relative proportion of poor that live there is not strikingly higher than the proportion that live in less deteriorated neighborhoods.

For the tugurio neighborhoods, the average family income was ₡1,765 while for the San José Metropolitan Area as a whole, it was ₡2,202. But when we compare income distribution with housing conditions, the picture changes totally (Table 4). While 62 percent of the families living in "good" housing receive incomes of ₡2,000 or more, the corresponding percentage for "fair" and "poor" housing was only 33%. Only 4 percent of the persons living in "good" housing receive income less than ₡800, while 12 percent of the other group do so. Therefore the median income for persons living in good houses was about ₡2,663 (higher than for the Metropolitan Area as a whole), while for those living in "poor" houses it was ₡1,391

b. Housing Demand. Effective housing demand is determined by the combined impact of families entering the housing market and their capacity to pay. According to estimates by OFIPLAN, the

TABLE 5

FAMILY INCOME DISTRIBUTION

METROPOLITAN REGION AND BARRIOS MARGINALES

1977

Income Range - Colones per month	% of Families	
	Metropolitan Region	Barrios Marginales
Below 600	4.54	5.7
600 - 1200	17.27	23.3
1200 - 1800	17.05	22.3
1800 - 2400	15.23	13.0
2400 - 3600	19.67	18.4
3600 - 4800	10.08	8.3
4800 - 6000	4.94	3.4
6000 and above	11.22	2.1
	Median =	Median =
	¢ 2,202	¢ 1,765

population of the Urban Agglomeration has increased by 3.8 percent per year during the past several years. On this basis, projected growth for the Agglomeration in 1977-78 is 36,120 persons or 6,567 families with an average family size of 5.5.

It is assumed that the income distribution of the new families in the Urban Agglomeration will follow the same pattern as its present population. The growing population and ability to pay will generate demand for new housing at various price levels. In addition, it is estimated that over the next five years, half the houses rated as "poor" in the 1973 Census can be replaced. These will go to families in the lowest income quartile.

Also, an estimate has been made of units needed to replace housing which becomes obsolescent. Generally, a 2 percent per year figures is used, assuming an average life of 50 years for residential structures. However, since San José has been growing so rapidly, most of the buildings are less than 50 years old. Since the 1927 population was one quarter of the present population, an obsolescence factor of 0.5 percent per year was used.

Table 6 shows the anticipated housing market for 1977-78. The total expected growth of 6,567 families is distributed according to the income curve, as well as the 858 units to replace obsolescent housing. The 1509 housing units to replace "poor" units are assigned 50 percent to the lowest income group, 33.3 percent to the second lowest, and 16.6 percent to the third lowest. It is assumed that 25 percent of income will be available for housing when incomes are above ₡1,800 per month, 20 percent between ₡1,200 and 1,800, and 15 percent with incomes below ₡1,200.

In the lowest income bracket, this may imply either a subsidy to some families or a reduction in the market because of inability to pay. Financing has been calculated on the basis of a 10 percent down payment, 10 percent interest and 25 year repayment period. The financial requirements for this projected housing are discussed below.

It should be noted that this does not include the demand represented by the same 60,000 families renting housing in the San José area.

c. Housing Tenancy, Needs, and Effective Demand in the "Tugurios". 51 percent of the families interviewed rented their houses, paying an average of ₡267 per month. Only 5 percent paid less than ₡100. This shows both a considerable demand for housing, if we assume that the majority of families want to own rather than rent housing, and capacity to pay, for at least a basic housing unit.

A total of 218 families (about 38 percent of the sample) own their own homes. Of these, more than 50 percent expressed a desire to repair one or more parts of their houses, with roofing mentioned most frequently. Nevertheless, about 53 percent of the families do not wish to apply for loans to finance the necessary repairs. The rest of the families said that they needed loans which average ₡7,500 for this purpose.

Of the 295 families who are renting their homes, 83 percent expressed the desire to have their own homes. They were willing to invest an average of ₡40,000 and as much as ₡100,000 for this purpose. The average monthly payment that the families were willing to make, whether they were renting, buying, or repairing their homes,

TABLE 6

URBAN AGGLOMERATION

HOUSING MARKET

JULY 1, 1977 - JULY 1, 1978

<u>Income Level</u>	<u>Percentage of Families</u>	<u>Number of Families</u>	<u>Replaced Housing</u>	<u>Obsolete Housing</u>	<u>Total number of units</u>	<u>Monthly Payment</u>	<u>Loan</u>	<u>Housing Price</u>
Under 2500	4.54	298	755	39	1,092	75	8,000	8,900
500 - 1,200	17.27	1134	503	148	1,785	135	15,000	16,500
1,200 - 1,800	17.05	1120	251	146	1,517	300	3,300	36,600
1,800 - 2,400	15.23	1000		131	1,131	525	58,000	64,500
2,400 - 3,600	19.67	1292		169	1,461	750	83,000	92,200
3,600 - 4,800	10.08	662		87	749	1,050	116,000	128,900
4,800 - 6,000	4.94	324		42	366	1,350	149,000	165,600
Over 6,000	11.22	737		96	833	2,000	220,000	244,400
					<u>8,934</u>			

NOTE: Does not include units for families renting

was ₡250. Only 11 percent said they could pay no more than ₡100 per month. As these figures show, practically all the families interviewed were willing to participate in improving their housing situations.

### C. Resources for Solution of the Problem

1. The Construction Industry. According to information provided by INVU, there are approximately 15 construction firms in Costa Rica which undertake housing projects, most of them in the areas of medium and lower priced housing. In addition, there are estimated to be 1,500 qualified "maestros de obra" in the country, who are authorized to undertake the construction of single-story houses costing less than ₡30,000 without engineering or architectural supervision. It is believed that the organizational capacity exists for a considerable expansion in the present volume of housing construction.

In general, construction methods followed in Costa Rica are traditional, with a very elementary type of technology using large numbers of workers. Construction methods used in low-cost, medium-cost, and upper-medium-cost housing are more or less similar. The differences are associated more than anything else with size of the houses, quality of the materials and degree of finish.

There appears to be sufficient unskilled labor, in fact, traditional housing construction is a field where unskilled workers can find employment and learn skills which they can then utilize in other jobs. Skilled workers are in relatively short supply, however and could form a bottleneck in the event of a substantial increase in housing production. The National Institute for Apprenticeship (INA) has defined the construction industry as one of its highest priorities for training courses for 1977, and it is hoped that the shortage will be overcome during the next several years.

It is estimated that 80 percent of the construction materials used in housing are supplied locally, while 20 percent are imported. The materials are generally in adequate supply, except for cement and wood, where shortages are possible. Due to the increasing scarcity and consequent higher cost of lumber, it will be necessary to substitute concrete block, brick and other materials for the traditional wood construction. It is planned that a new cement plant will be opened within the next year, so that it will be possible to meet the demand from domestic production.

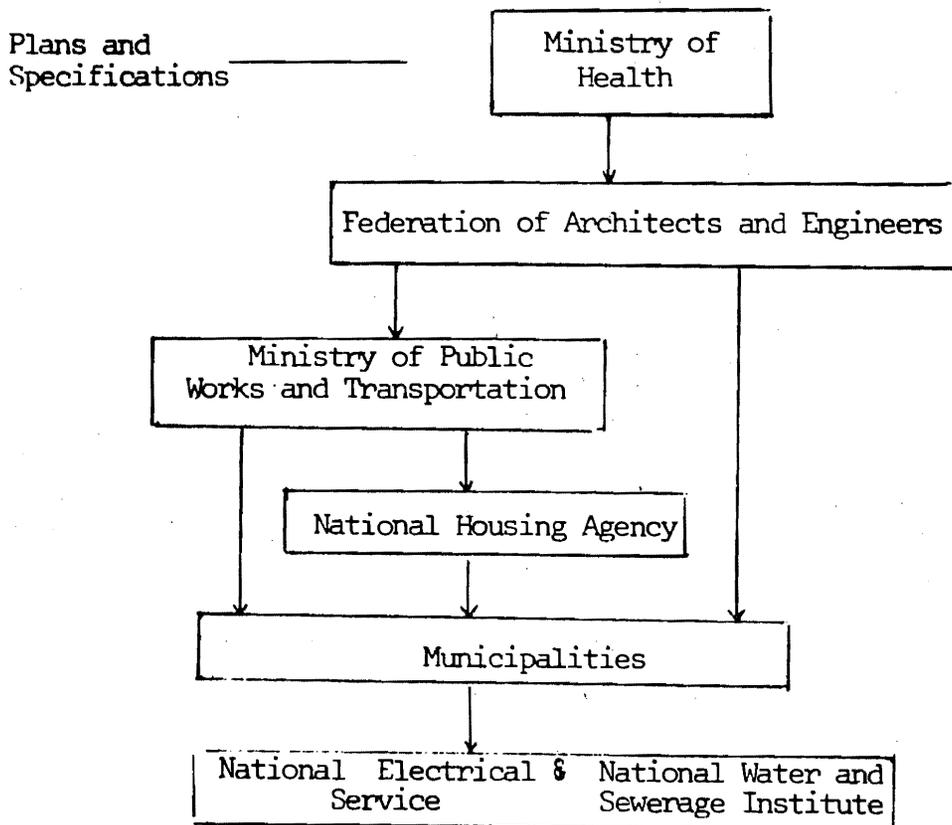
One of the worst problems that confronts the construction industry is inflation in the cost of construction materials. Basic

materials such as cement and steel are among those whose prices have risen fastest during the last 4 years. In the case of cement, the increase was 56 percent from 1974 to mid-1977.

At the present time, the Government does not control the price of construction materials. Products such as asbestos, cement, reinforcing rods, window glass, aluminum, and plywood are largely monopolized. This has negative consequences for the industry as a whole and especially for the construction of low cost housing, and restricts future possibilities for expansion.

2. Construction Codes and Permits. Pending the adoption of a single, unified Construction Code and an Earthquake Code, design and construction continues to be regulated by a series of unrelated standards, established for specific cases by different government institutions and municipalities. The complicated approval procedure is indicated in the following diagram:

DIAGRAM I. FLOW CHART OF THE NECESSARY STEPS IN OBTAINING CONSTRUCTION PERMITS



As shown, there are differing pathways to approval, depending upon the type of construction. All plans must be sent to both the Ministry of Health and the Federation of Architects and Engineers for approval. From there, they go directly to the Municipality, unless they are for a building facing a National Highway which must be approved by the Ministry of Public Works and Transportation, or for a development project, which must be approved by the National Housing Agency. It is the Municipalities who are ultimately responsible for issuing construction permits and collecting taxes. They may set requirements on design and construction and hold up projects when considered appropriate. Approval is also needed from both the National Electrical Service and the National Water and Sewerage Institute, although this may be obtained after construction has begun.

Many persons both in the private and public sector consider that the frequent opposition by municipalities to the use of minimum construction standards adopted by the National Housing Agency (INVU), for what it calls "economical houses", is the greatest obstacle to more effective work in the field of social interest housing. The municipalities frequently allege that low cost housing turns into instant slums. They do not see that the lack of sufficient low-cost units leads to squatter settlements with no standards and no control. It is necessary that both the municipalities and other organisms understand that the standards for low-cost housing must be adjusted to the economic resources of the country and to the ability of the poor groups to pay. It is further necessary to expedite the project approval process for the construction of housing, particularly for the poor.

3. Availability and Use of Land. It is calculated that about 40 percent of the total population of the country lives in the Urban Agglomeration. In spite of this concentration, there has not yet been any problem in obtaining land for housing programs. This situation will change in the future, as the population continues to grow and the limited amount of land in the urban centers is occupied or taken out of the market.

The development of the Urban Agglomeration has reached the point where towns and cities, formerly separated by stretches of open country, are beginning to flow together into a single formless conurbation. It is essential that an integrated physical development plan be prepared and implemented for the entire region so that:

- areas may be reserved for parks, schools, highways and other major public uses,

- a rational pattern of sub-centers may be developed;
- extension of urban services may proceed in a logical sequence; and
- conversion from rural uses to housing and other urban uses may proceed in relation to the infrastructure network.

In the barrios marginales, there is a high incidence of renting, which may be indicative of a scarcity of land for housing development, and for high land prices. In these areas, many types of land occupancy are found - fee title, leased land with owned improvements, leased land and improvements, usufruct, squatting without permission, etc. Any program for the improvement of these areas must attempt to rationalize the ownership pattern and obtain fee title for as many families as possible. It has been demonstrated over and over that land ownership is a key factor in stimulating self-help improvement and expansion of substandard and inadequate dwellings.

#### 4. Housing Development and Finance Institutions

##### a. National Banking System

Housing Investments and Sources of Finance. In 1976, the combined investment of the four national banks in the construction of houses and the purchase of existing houses was ₡68.5 million. Of this total ₡32.3 million came from the Banco Crédito Agrícola de Cartago, ₡5 million from the Banco Anglo Costarricense, ₡20.4 million from the Banco de Costa Rica and ₡10.8 million from the Banco Nacional. These funds came in great part from deposits and from repayments of previous loans, except in the case of the Banco Crédito Agrícola de Cartago which participated extensively in housing loans using funds granted by the Central American Bank for Economic Integration (CABEI).

Credit Terms and Conditions. The banks generally grant loans for housing at interest rates of 10 percent except for employees of the bank who pay 9 percent. The loans are made on the basis of 60 to 75 percent of the appraised value of the home, with a ₡140,000 maximum. The period of repayment can be as long as 10 years. The Banco Crédito Agrícola which had funds from BCIE, is an exception to this general policy and makes its loans at the same terms as the Savings and Loans Institutions described below.

Income Group Benefited. It was impossible to obtain precise data on the incomes of the borrowers and on the distribution of loans. Nevertheless, since the average amount of loans in 1976 was ₡100,000 or more colones, incomes higher than the median are required to afford repayment.

b. Savings and Loan System

Housing Investments and Source of Funds. The Savings and Loan System was created in 1969 to promote savings and to increase investment in housing for families with low and middle incomes. Investments have increased year-by-year, reaching 063.6 million in 1975 and 090.0 million in 1976. The system is financed largely through a series of loans from CABEI, which have totaled 0220 million up to the present time. It is highly questionable whether this source of financing will continue. Domestic sources are also growing from the system's sale of mortgage participations to institutions and individuals. A third source, still relatively small, is the savings deposits made by members of the savings and loan associations.

Credit Terms and Conditions. The savings and loan associations lend only to their members, that is, to individuals having savings accounts. The rate of interest fixed in the regular program is 13.75 percent including 1/2 percent for mortgage insurance. For low cost houses (less than US\$3,000), the interest is lowered to 11 percent. For all loans, there is a one time charge of 3 percent. The loans are granted for amounts up to 90 percent of the appraised value of the house with a maximum repayment period of 25 years.

Income Group Benefited. The Savings and Loan System has generally served middle and lower income groups. The highest valued mortgage loan authorized by the system is 085,400 (US\$10,000). About 78 percent of the loans are less than 060,000 (US\$7,025) and 47 percent are less than 042,000 (US\$4,918).

c. Social Assistance Institute (IMAS)

Housing Investment and Sources of Finance. The IMAS is a public autonomous institution created in 1971 to help resolve socio-economic problems of the poor. Its operating and administrative budget for 1976 was 030 million, of which 019 million were designated for housing. Approximately 800 units were constructed in 1976, mostly in rural areas. Diverse sources of finance exist for these programs, including a 1/2 percent tax on payrolls, benefits from the operations of free port stores, a motel tax, and budgetary allocations from the central government.

Credit Terms and Conditions. The allocation of houses is based on the needs of the poor people served and not on their capacity to pay. In the majority of the cases, the beneficiaries are not paying amounts sufficiently high to recover the whole investment. IMAS retains titles to those homes that it builds in its housing projects. It does not require a down payment, and interest and other loan terms are flexible, depending on the purchasing power of the clients.

Income Group Benefited. IMAS does not expect to recover its money invested in helping the poorest strata. It is a charitable institution that hopes to be at the same time an instrument of change. Its housing program complements its other social programs, with the idea that the provision of decent housing is the first step toward upward social and economic mobility. The IMAS therefore provided houses to groups in the population that have not been helped by any other agency or establishments, public or private.

d. National Housing Agency (INVU)

Housing Investments and Sources of Funds. The Housing Agency invests in housing through a variety of programs which can be classified as follows:

- i. Construction of housing projects for sale and rent.
- ii. Credit programs for financing construction and purchase of homes.
- iii. Urban land development for the sale of lots.

The investment of the Housing Agency in construction and finance of housing programs for 1976 reached approximately \$144 million. The amount destined for long-term financing was approximately \$76 million, which represented less than half of total investment. The total number of housing "solutions" (housing units, loans, and lots) during 1976 was reported as 3,882. During this period about 2,000 long-term loans were granted for the purchase and/or construction of houses.

In terms of production, the 3,882 "solutions" achieved in 1976 represent an increase of 154 percent over average production during the three previous years. Figures for 1977 are not available at this time. The principal sources of finance for the Housing Agency come from sale of its own bonds, from interest amortization on its mortgage loans, and from the sale of lots and houses. In 1976 these three sources constituted 82 percent of its funds. Also, in 1977 INVU applied for a loan from CAREI for \$128 million to be spent over a three-year period. This loan is for long-term mortgage finance for low-cost houses, primarily in rural areas, and represents the principal source of long-term resources for the period 1977-1980.

Credit Terms and Conditions. The regular programs of the National Housing Agency are as follows:

- i. Savings and loan systems for the purchase of houses constructed by the Agency. It requires

a previous savings account of from \$1,300 to \$6,100. The loans are for a twenty-year period and bear an 8 percent interest rate, but the title on the house is not transferred until after at least five years.

- ii. Savings and loan operations. Contractual savings systems with five different loan plans.
- iii. Supervised rural credit. Provides credit for the construction and/or purchase of rural housing in land belonging to the borrowers.
- iv. Projects in rural communities.
- v. Sale of developed lots for cash or credit.
- vi. "Minimum" housing. Construction and sale with credit of unfinished houses and lots.
- vii. Semi-urban credit. Loans for the construction of houses on lots owned by the residents in semi-urban areas.

During the 1973-1976, 65 percent of the invested funds and 55 percent of the finished "solutions" were for the construction and sale of housing projects. About 18 percent of the funds and 32 percent of the solutions were facilitated through credit programs, while 17 percent of the funds and 13 percent of the solutions were used for developed urban lots. In general terms, 19 percent of the invested funds and 36 percent of the finished "solutions" were for low cost housing whose average cost over a four-year period was about \$11,000.

Income Group Benefited. An approximate analysis of the income groups addressed by the programs of the National Housing Agency in the Metropolitan Region is presented in Table 7 and 8. As can be seen, at least 95 percent of the Agency's loans are within the reach of a family with average income. Nevertheless, in the Urban Agglomeration, the Agency's programs are not within the reach of families below the twentieth percentile of family incomes. The number of constructed solutions (Table 8) for the 20 to 30 percentile group is about 20 percent. It is interesting to note the number of high cost units constructed by INUV. In addition, it is clear that more than 60 percent of the Agency's "solutions" cover families with incomes higher than \$2,000 per month, that is, families above the fortieth percentile in the scale of incomes.

TABLE 7  
SAN JOSE INU HOUSING LOANS  
BY INCOME LEVEL, 1976

	<u>Number of Loans</u>	<u>Percentage</u>	<u>Average Monthly Payment 1/</u>	<u>Required Family Income 2/</u>	<u>Implied Income Percentile</u>
020 -- 30 thousand	238	23	226	1,132	20
30 - 40 "	118	11	317	1,585	33
40 - 50 "	34	3	407	2,035	45
50 - 60 "	606	58	498	1,992	44
60 - 70 "	52	5	589	2,356	53

189

Footnotes:

- 1/ Estimated assuming a 10% interest rate and 25-year repayment period.
- 2/ Assumed at five times the level of monthly payments; i.e., 20% of family income for housing payments. For loans greater than 050,000, incomes are assumed to be four times the monthly payment, or 25% of family income.

TABLE 2

APPROXIMATE ANALYSIS OF HOUSING PROJECTS

FINISHED BY INVU IN THE METROPOLITAN REGION DURING 1976

	<u>Number of Projects</u>	<u>Average Cost</u>	<u>Average Loan</u>	<u>Solutions</u>	<u>Estimated monthly Payment 2/</u>	<u>Required Income 3/</u>	<u>Approximate Income Percentile</u>
1)	28	28,202	25,382	1.54	230	1150	20.6 "
2)	312	31,170	28,053	17.17	254	1270	23.8 "
3)	144	33,872	33,872	7.93	306	1534	31.2 "
4)	77	40,744	36,670	4.24	332	1660	34.9 "
5)	1075	47,502	42,752	59.16	387	1935	<b>42.3 "</b>
6)	<b>165</b>	<b>55,985</b>	<b>50,386</b>	<b>9.08</b>	<b>456</b>	<b>1824</b>	<b>39.5 "</b>
7)	<u>16</u>	<u>171,057</u>	<u>153,951</u>	<u>.88</u>	<u>1395</u>	<u>5580</u>	<u>87.5 "</u>

1817

1/ Assumed as 90% of selling price

2/ Estimated on the basis of 10% interest for 25 years.

3/ Assumed as 5 times the monthly payment, or 20% of the family income for housing payment.  
For loans greater than \$50,000, the income is four times the payment.

e. The Integrated Program of Social Interest Housing (PROVIS)

Housing Investments and Sources of Funds. PROVIS was created by an inter-institutional agreement between the National Housing Agency (INVU), the Institute for Social Assistance (IMAS), and the National Agency for Community Development (DINADECO). Its purpose is to seek solutions to the housing problem for low-income families, using the combine resources of the three institutions. The work of the program is carried out by the three involved institutions with funds coming from the National Housing Agency and from the Institute for Social Assistance. PROVIS has no investment in housing outside these institutions.

Income Group Benefited. PROVIS hopes to serve the housing problem of "poor" families, that is families with incomes less than ₡1,400 per month. For these groups, housing is not an end in itself, but rather a means to overcome or to improve their levels of living. Thus PROVIS does not work with individual families but rather with groups previously organized and constituted in communities. The central goal does not lie simply in the provision of shelter for these families but rather in offering them a program through a process of self-help (auto-construcción):

- i. The opportunity to define the housing solution that they want and to participate in it.
- ii. The possibility of improving their economic situation through a process of training in construction techniques, which will open new job possibilities to some of the members.
- iii. The indispensable instruments to channel the initial motivation generated by the immediate need for housing toward other activities of communal interest, thus promoting community development before, during, and after the construction process.

f. Costa Rican Social Security Fund (CCSS)

Housing Investments and Sources of Funds. In 1976, the Social Security Fund made 682 loans with a total of ₡86 million for the construction or purchase of houses, and 95 loans for the improvement of houses; an additional ₡10 million was invested in bonds of the National Housing Agency. These investments were financed by payments into the Fund which must be invested to satisfy future needs.

Credit Terms and Conditions. The Social Security Fund generally makes loans that cover the entire value of the house with the

condition that the borrower own the land free of debt. The loans are made for periods of up to twelve years (twenty years for employees) at an interest rate of 10 percent for house construction and 12 percent for house purchase (9 percent for employees).

Income Group Benefited. The Social Security Fund provides finance to families of medium and high income (generally above £2,400 a month). In 1976 the average size of loans was £127,000.

g. National Insurance Institute (INS)

Housing Investments and Sources of Funds. In 1976 the Insurance Institute granted about 1,300 loans, five of them to institutions, totaling £118 million. The funds came from the Institute's own reserves; about 55 percent of the total capital of the institute is invested in mortgage loans.

Credit Terms and Conditions. The Insurance Institute makes loans only to policy holders. The loans are made on 90 percent of the appraised value of the house. The interest rate is 9 percent for loans less than £50,000, 10 percent for loans between £50,000 and £100,000 and 10-1/2 percent for loans over £100,000. The maximum individual loan is £200,000 and can be made for up to twenty years.

Income Group Benefited. As the majority of the owners of policies of the Insurance Institute belong to groups of middle and high incomes, the loans for housing are directed toward these income strata; very few loans are made for low-cost housing. The average loan made in 1976 was about £89,000.

h. The People's Communal Development Bank

Housing Investment and Sources of Funds. The People's Bank was established in 1969 to supply credits to workers with low incomes. Its funds are gained from forced saving (payroll taxes) and from voluntary saving. Generally about 50 percent of the bank's annual investment program is directed toward housing although in 1976 this rose to £33.6 million.

Credit Terms and Conditions. Loans are made only to the Bank's depositors. The value of the loans may be as high as 90 percent of the appraised value of the house, with a maximum at £110,000. The interest rate is 10-1/2 percent on loans less than £50,000, and 12 percent over this amount. The period of repayment extends up to twenty years.

Income Group Benefited. The average loan made in 1976 was £42,000, indicating that the bank serves groups of low and middle

income persons.

D. Factors Affecting Current Housing Development

1. Political and Institutional Constraints. A superficial analysis of the development of urban Costa Rica shows that public participation in housing has increased since 1911 when the government was first authorized to make loans for the construction of housing. Since that time there has been the creation of the first official housing institution, the Junta Nacional, in 1939; the foundation in 1954 of the first specialized institution in the field of housing and urban planning, the National Housing Agency (INVU); the creation of the National Savings and Loan System in 1969; and finally, the promulgation of the Social Development and Family Allowances Law. It is clear that state activity in housing has progressively increased.

Nevertheless, there has never existed a central axis which coordinates these forces and assures that all income groups are being served. This in turn has generated a series of anomalies that block effective development of housing programs, including the following:

- i. Duplication of functions: there are various institutions investing in housing without having defined roles, priorities, or goals. As a consequence, middle and upper-income groups have been favored. The agency most directly oriented to the poor, the Social Assistance Institute (IMAS), has a low technical and financial capacity, which inhibits its efforts to address the problems of the urban poor.
- ii. Lack of coordination for housing programs: There are presently two major housing programs for the poor: (1) PRONAVIS, The National Program of Social Interest Housing, which fuses some of the efforts of the National Housing Institute (INVU) and the Social Assistance Institute (IMAS), using loan funds from the Central American Bank for Economic Integration (CABEI); and (2) PROVIS, the Social Interest Housing Program, which arose out of a joint agreement between the National Housing Agency (INVU), the Social Assistance Institute (IMAS) and the Agency for Community Development (DINADECO).

Although the same sponsoring agencies are involved in both programs, there is a lack of coordination between the programs, as well as disfunctional

elements within each entity. For example, in the same satellite city (we refer here to the case of Colima), three programs have started simultaneously with wholly different and incompatible approaches to housing problems. On the one hand, we find PRONAVIS mixing two policies: in some cases the housing must be paid for by the beneficiary and in other cases a partial or total subsidy is given, according to the results of a socio-economic survey. On the other hand, PROVIS sees housing simply as a single element in the development process and not as an end in itself. Through the direct participation of families in the construction process, it hopes not only to resolve the problem of shelter but at the same time to stimulate communal integration and participation at all levels and to promote new employment opportunities in the construction sector. INVU is following yet another set of policies: it is building so-called "minimum" houses, but using its traditional investment, lending, and repayment programs. These major differences between housing institutions confuse potential beneficiaries, often causing them not to participate.

- iii. No general consensus about procedures to measure the size of the housing problem: Each institution has its own definition for housing deficit; deficient housing; poor, fair, and good housing; overcrowding; high and middle income strata; so-called "popular" housing; and low cost and "social interest" housing. This is a serious impediment in any attempt at comparison and generalization.
- iv. No agreement on which financial and credit systems ought to be used for the low-income sectors: therefore, we find tremendous difference between INVU loans, some of which carry as high as 13 percent annual interest rate, and loans of the national banking system and National Insurance Institute (INS) which are oriented toward groups with greater capacity for repayment but nevertheless bear a lower interest rate of 9 or 10 percent annually. This situation is closely tied to the interest rates on foreign loans which are an important source of funds for INVU.

2. Social and Design Factors. There are a series of misconceptions about the kind of housing affordable and desired by families in the lower income brackets. These misconceptions have served, to a large extent, to exclude them entirely from the attention of the housing agencies.

There has been too much preoccupation with housing and urbanization standards, resulting in housing too expensive for lower-income families. Attempts have been made to subsidize "standard" housing to bring it within the economic capacity of poor families, but available funds have been inadequate to supply more than a few units. As a result, most families have been unable to improve their housing.

These standards which are inconsistent with the present stage of development of the country have also forced many families to locate in squatter settlements which are below almost any standard criteria. These settlements in turn have created problems of drainage, sewerage, and access which will be expensive to correct in the future.

Another factor which has limited the flow of investment into low-income housing is the widespread belief that poor people cannot afford to pay the market interest rate for mortgage funds. However, most poor families are willing and able to pay 10 or 11 percent interest -- local usurers charge far higher rates. The median rental paid in the barrios marginales of San José is ₡267.50. This amount would cover the amortization of a ₡27,000 loan at 11 percent over 25 years, for the purchase of a ₡30,000 house.

In Costa Rica, as in other countries, insufficient understanding of life styles and value systems of the poor has sometimes led to unsuccessful housing projects. Recently, three tugurios were resettled from the central city to the suburban area of Colima, breaking the intricate web of social and economic relationships which existed in the communities. Where at all possible, it is far preferable to rehabilitate existing tugurios than to demolish them and move the families elsewhere.

With respect to the design of new units, the findings of a recent anthropological investigation of the Villa Esperanza project in Pavas are of interest. Created by INVU beginning in 1969, Villa Esperanza has several types of housing: concrete "shell houses" without interior partitions, two-bedroom wooden houses, and self-help houses. The investigators found that owners of the self-help houses derived the greatest satisfaction from their homes. This was translated into a more evident desire to improve their houses and maintain them in good condition and a greater sense of community.

It was also found that certain design elements met with

greater acceptance than others:

- front porches were desired as an ante-room, a place to sit on a hot day, a place to watch the events of the neighborhood;
- living room and kitchen both fulfilled important functions, but a separate dining room was not necessary;
- sheds and garages were often needed as workplaces by self-employed persons such as artisans, mechanics, pulperos, etc; and
- the lack of an identifiable center in Villa Esperanza contributed to a sense of not belonging and poor communication among its residents.

These examples illustrate a series of factors related to the infrastructure and behavior of Villa Esperanza. Of course, the use of physical space and the physical design of the house cannot determine the nature of life in a community. Nevertheless, spatial forms can inhibit, accelerate, or retard the establishment of those behavior systems that are used by the poorer groups within the population as indispensable forms of adaption and survival.

Apart from spatial considerations, self-help housing has contributed to positive behavior for a series of other reasons. Because the occupants have participated in the construction process, they feel better rooted. The houses were constructed according to the aspirations and needs of their own residents. In addition, the residents see themselves as real owners. They feel themselves responsible for maintenance and improvement. At the same time, many of the residents of INVU houses, owing to the length of the mortgages (30 years) and the 6 percent annual interest, consider themselves tenants and not owners. One important additional factor is that self-help housing develops mutual aid networks among neighbors, which are then reflected in other levels of social behavior.

## B. Toward a Solution of the Problem

1. National Housing Policy. The first and most important step in addressing the housing problem is the elaboration of a National Housing Policy. Such a policy would address the same issues touched upon in this chapter, but with a much more careful, time-consuming and thorough collection and analysis of data. The dimensions of the housing problem must be defined by the numbers of deficient and overcrowded units, the related social and environmental problems, the numbers of new families for whom housing must be provided and their

income levels.

Next, the resources which are available for resolving the problem must be assessed--the institutional capacity of the various governmental and private organizations in the housing field, the capacity of the construction industry, the savings and other capital resources available for long-term mortgage financing and the capacity of families to resolve their own housing problem, with little or no public assistance, support or control.

Finally, a rational assignment of resources, functions and areas of activity must be made for the many entities operating in the housing sector. Programs must be coordinated, overlapping functions reduced and the opportunity for an appropriate housing solution assured to all income groups.

The National Housing Policy should not be prepared by any of the organizations with operating responsibilities in the housing sector, although all should participate actively in its development. The leading role must fall on a public agency such as OFIPLAN, which has a coordinative responsibility and which can recommend reassignment of functions and budgetary allocations for all the public agencies.

The preparation and adoption of a National Housing Policy, implemented by a National Housing Plan, will make it possible to establish priorities at the national level, to regulate public credit in order to use more efficiently the resources of state agencies, to coordinate the programs and activities of public and private institutions or possibly to restructure and redirect these institutions, to assure that all income groups are reached by appropriate housing programs, and to eliminate existing anomalies such as higher interest rates on housing loans to lower income families. Such a policy study would for example, address issues such as redirection of financial resources, need for and function of a National Housing Bank, and agency or system to expedite approval of new housing projects, the autonomy of the saving and loan system, and the level of housing to be produced by INVU.

2. Housing Finance Requirements. As a preliminary exercise, a rough calculation has been made of the total housing finance requirement of the San José Urban Agglomeration. This will need to be redone with a much higher degree of precision as a part of the National Housing Policy.

The total housing finance requirement can be derived from an estimate of the anticipated housing market at each income level. In this study, a rough estimate has been made for the year 1977-78

on the basis of the market data calculated previously. It is assumed that new units will be required for all new families in the region due to natural increase and immigration. In addition, new units are proposed to replace 10 percent of the units classified as "poor" in the 1973 Census and the units which become obsolescent during the year (estimated at 0.5 percent of the total).

The total number of units required for 1977-78 could be roughly estimated at about 9,934. This figure does not include any demand from the families now renting. Based on last year's production of housing in the San José area, a minimum of 1000 units should be added to arrive at a more realistic demand figure. Accordingly, this demand has been distributed in accordance with estimated 1977 income distribution in the Urban Agglomeration. The finance requirement has been estimated by multiplying the number of units at each income level by the average debt which can be assumed by families at that level. The results are shown in Table 9.

It can be seen that the total housing finance requirement calculated for 1977-78 is about 663 million.

The availability of housing investment funds in Costa Rica is shown in Table 10. The 1977 and 1978 estimates are derived from projections of past trends and interviews with officials of the various housing institutions. At the present time, ₡75 million to ₡100 million per year is derived from foreign borrowings. It is unlikely that this source will continue at this magnitude. The growth trends of domestic investments, particularly the purchase of mortgage participations from the savings and loan system, will help off-set the loss of foreign borrowing. Costa Rica should soon be able to meet more of its own housing finance requirements from domestic sources.

Assuming that 90 percent of housing investment will continue to flow to the Urban Agglomeration, it appears that the funds (including external credit) optimistically projected in Table 10, will be insufficient by 148 million to meet the aggregate demand. However, it can be seen that ₡264 million of the demand financial requirement is for high price housing. It is reasonable to assume that a significant portion of the ₡264 million will be used for lower cost housing since, for example, the Saving and Loan Associations are restricted to below ₡85,000 price housing and the insurance funds are restricted to ₡120,000 price housing. In addition a policy to re-distribute more of these funds to lower cost housing would enable the demand to be satisfied. It must be kept in mind that this is a rough estimate which should be refined by further study and that the projections were made by the institutions who assumed foreign borrowing and past trends would continue. Furthermore, it excludes; 1) housing investment by individuals from their own resources or by private

TABLE 9  
MORTGAGE DISTRIBUTION IN HOUSING INVESTMENT  
1977-1978

<u>Income Level</u>	<u>Housing Total</u>	<u>Loans x Houses</u>	<u>Total Loans</u>
Less than 600	1212	8,000	9,696
600 to 1,200	1981	15,000	29,715
1,200 to 1,800	1,683	33,000	55,539
1,800 to 2,400	1,276	58,000	74,008
2,400 to 3,600	1,622	83,000	134,626
3,600 to 4,800	831	116,000	96,396
4,800 to 6,000	406	149,000	60,494
More than 6,000	<u>924</u>	220,000	<u>203,280</u>
<b>TOTALS</b>	<u><u>9,934</u></u>		<u><u>663,754</u></u>

mortgages; 2) the very considerable informal sector; and 3) the demand for the upgrading of existing units (home improvements). On the other hand, it is likely that a considerable proportion of the institutional funds invested in housing is used to buy existing units and does not directly satisfy the demand for new units.

It should be noted that there is a continued need for upgrading deteriorated dwellings and new low cost housing targeted at the poor. The latter will not be adequately met in the absence of national housing policy and instruments which shift more of the housing finance currently available to the low income sector.

TABLE 10  
ESTIMATED INSTITUTIONAL INVESTMENT IN HOUSING  
(In Millions of ¢)

<u>Institution</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
Banks	68.5	80	100
Savings and Loans	90.9	100	110
INVU	59	75	90
IMAS	19	15	20
ICSS	86.5	108	130
INS	118	144.5	165
Banco Popular	<u>33.6</u>	<u>50</u>	<u>70</u>
<b>TOTAL</b>	<u><u>475.5</u></u>	<u><u>572.5</u></u>	<u><u>685</u></u>

Chapter XI. URBAN POLICY PLANNING AND PROGRAM COORDINATION

CONTENTS

	<u>Page</u>
A. Major Findings and Conclusions	202
B. Introduction	202
C. Problems Bearing on Formulation of National Policies	203
D. Major Initiatives Taken in National Urban and Regional Development Policy	205
E. Substance and Coordination of Major Poverty Programs	206

## Chapter XI. URBAN POLICY PLANNING AND PROGRAM COORDINATION

### A. Major Findings and Conclusions

- National urban and regional planning is just beginning in Costa Rica; therefore pronouncements are highly general and subject to modification following further analysis.
- Urban problems should be analyzed from the standpoint of the poor, especially since there is a tendency for many traditional policies to serve middle and upper income groups unless they are explicitly directed to the lowest income groups.
- A number of agencies have been created, studies conducted, and enabling legislation drafted (or passed) to initiate new national urban and regional development policy, including a proposal for a governmental unit corresponding to the San José Metropolitan Agglomeration, a draft Rural Industries Bill, creation of six geographic planning regions, and major analysis of needs for the urban environment.
- A large number of Government agencies are working in the San José Urban Agglomeration, although questions relating to coordination and degree of decentralization remain.

### B. Introduction

National urban and regional planning in Costa Rica is still at an early stage. Pronouncements are highly general, thereby allowing for possible modification following further analysis. Present efforts are focussed on establishing the infrastructure of planning itself. This is illustrated in the following statement from the National Development Plan (1978-82), comprising the section on "Regional and Urban Development" in its entirety:

#### Regional and Urban Development

"The strategy of regional development has as its basic objective the incorporation of natural and human resources of every region of the country in the process of increase of output and reduction of existing poverty in the peripheral regions. In this way it is hoped to diminish the disequilibria which presently are found between regions and within them.

Regional development is in addition a fundamental pillar for the distribution of power, the improved spatial allocation of the better benefits of development, the fight against poverty, popular participation -- all goals in order to achieve a new level of life toward which the society aspires.

The creation of new jobs for the present and future active population will be proposed in a way that stimulates people to remain where they are instead of migrating to urban centers in the central region where they may suffer serious privations.

In addition a system of regional and sub-regional cities and towns will be attempted which is more appropriate for the people in every region and for their requirements.

In the case of the central region the strategy for development tends to integrate the forces for improvement in the quality of life of the inhabitants and to control the physical expansion of the urban area of San José, whose growth has been produced until now in a disordered form, with damage to the natural resources.

The National System of Urban and Regional Planning, recently begun, constitutes the principal instrument for the stimulation of regional and urban planning. It ought to be strengthened." 1/

While the rest of the plan could be read with respect to the implicit spatial policies contained in its recommendations, the section cited above is the only part of the document given over directly to regional and urban development, including rural-urban migration and the (alleged) problems of hypercephalism in the capital city of San José.

#### C. Problems Bearing on Formulation of National Policies

The underlying substantive problems of urban and regional development in Costa Rica (and San José in particular) are described in other chapters of the present Urban Sector Analysis. Specific problems relating to planning as a process can be briefly summarized as follows:

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1/ Translated from OFIPLAN, Metas de Progreso (Plan Nacional de Desarrollo 1978-82). Versión Preliminar. San José: Oficina de Planificación Nacional y Política Económica, 1977, pp. 116-117.

- The problem of administrative centralization of the country in agencies managed from San José -- a classic pattern in Latin America.
- Administrative delegation of functions to autonomous agencies outside the coordinative power of the central government. Costa Rica is not unique but far advanced in the strength and diversity of autonomous agencies.
- Shift in the nature and scale of urban and regional development problems implying spatially coordinated strategies for which no governmental units presently exist (for example at the levels of the Agglomeration and the Metropolitan Area), while by-passing traditional governmental units (such as Provinces and Municipalities), whose boundaries no longer coincide with those of the problems.
- Coordination with (or cooperation by) the private sector. For example, as public services (like bank credit or housing or jobs) penetrate poor areas, private capital sometimes withdraws. Why, in what sectors, and on what scale are not yet determined in most cases.
- Promulgation of new policies, services, and planning agencies, without careful analysis of the reasons why old ones succeeded or failed. A case in point is the relative lack of effort among urban planners to learn from the rich experience of ITCO and the CANcitos which have been operating coordinated development programs at community and regional levels in the rural sector.
- Development of policies on the basis of strong but possibly misled beliefs about the nature of urban and regional problems in Costa Rica. Doubtful conventional wisdoms can be found regarding housing policy (aesthetic prejudice against sites and services), transportation (failure to acknowledge self-defeating effects of urban throughway expansion, particularly its bias toward suburban interests and costs to the poor), migration (migration flows to San José varies according to definition of urban area), poverty (often conceived as a problem of visible slums, which is not the case in San José), and income and land distribution (assumed to be very egalitarian in a democratic and progressive society such as Costa Rica, but sometimes ignoring data or the unintended regressive effects of well intended policies).

The effort to set up new planning units indicates that policy

makers recognize the above problems and are looking for better information about urban and regional problems and better leverage to control them. Both improved analysis and administrative tools are needed. On the one hand, there is need for an analytical perspective that looks at the problems from the standpoint of the poor. There is increasing evidence from other countries to suggest that traditional policies tend to serve middle and upper income groups unless programs are very explicitly directed to lower income groups, and unless results are carefully monitored. The difficulty of reaching the very poorest was illustrated in Chapter VI of this report: i.e., the lowest one or two income deciles of Costa Rica's population have not benefitted equally from overall economic gains, even under a government dedicated to progressive policies.

New administrative tools will also need to be developed, partially through the realistic examination of past policies and a truly empirical diagnosis of poverty problems. This is needed to avoid reproducing the shortcoming of current programs, but also to recognize the successes that Costa Rica has achieved in poverty intervention, and to carry these successes to a larger scale.

D. Major Initiatives Taken in National Urban and Regional Development Policy

Initiatives referred to here generally do not represent implementation of substantive policies so much as the setting up of agencies, the enactment of enabling legislation, and preliminary background analysis of specific proposals. Some of the more important initiatives have been the following:

- Proposal for creation of a governmental unit corresponding to the San José Metropolitan Agglomeration (Morales, 1977).
- Proposal for a similar unit, headed by a Mayor, for the San José Metropolitan Area, published August 28, 1977 as draft legislation (Morales, 1977, pp. 8ff).
- A draft bill -- the Rural Industries Bill of July 1976 -- to encourage small and medium industries intended to slow migration to cities. (Becaux, 1977, para. 1.28).
- Creation of six Planning Regions, essentially at the scale of provinces, but with very different boundaries drawn to capture their possibilities of internal integration and dynamic role within the larger national context. The "Región Central", with a population of more than a million, extends beyond the Agglomeration to cover most of the Central Plateau, and embraces 80 percent of

the country's urban population, 63 percent of the total population, and most of its industry, commercial and financial activity, including 86 percent of industrial employment. The other five regions, predominantly rural, have populations in the 100-200 thousand range. (See various OFIPLAN documents: "Región Central", February 1976; "La Planificación Regional en Costa Rica", 1977; "Desarrollo Regional y Urbano", March 1977; and "Estrategia de Desarrollo Regional -- Plan Operativo 1975"). Planning for at least two of the Regions (Central and Atlantic) is already underway.

- Support by the present government for building on the work of the Instituto de Tierras y Colonización. President Oduber, in his May 1977 message before Congress asked that ITCO be provided with "large reserves of land in order to engender large nuclei of agricultural development, based on peasant small holders, technically endowed and efficient." (See also remarks on ITCO's role and potential in Carvajal, ed., 1977, p. 108).
- Housing and Asignaciones Familiares (Family Allowances) given special mention by the President in his May speech, along with his remarks on ITCO.
- Analysis of needs for the Urban Environment, focussing primarily on housing and employment problems. This has involved a major collaborative effort among a selected group of Costa Rican ministries and autonomous agencies, with technical assistance and funding provided by AID.
- OFIPLAN/AID collaborating on an Urban Sector Analysis, reflected in the present report.
- Comprehensive analysis of transportation problems in San José, including administrative aspects, a MOPT effort, with help from the World Bank.

#### F. Substance and Coordination of Major Poverty Programs

The Costa Rican Government has long been committed to the alleviation of urban poverty, but that policy has assumed that the incidence of such poverty was restricted and would be adequately dealt with in a piecemeal manner by the ministrations of agencies which provided a variety of subsidies to the poor. Thus, the Social Assistance Institute (IMAS) has looked after the "poorest of the poor" by construction of subsidized minimal housing. The National Housing and Urban Development Institute (INVU) has created housing projects for the lower middle classes; the National Office of Community Development (DINADECO) has assisted in organizing communities;

the National Municipal Development Institute (IFAM) and the National Institute - Water and Sewerage Service (SNA) have dealt with environmental and infra-structure improvement. Recent periods have also seen an increase in the activities of the Ministries of Labor and Health. The "Programa de Asignaciones Familiares" (Family Allowances) has been increasingly focused on the marginal areas of the San José Metropolitan Area. From these have come studies of unemployment and means of employing the poor, a community health program directed at the poor, and a nutrition program which is presently feeding children and pregnant and lactating women in schools and centers throughout the San José Metropolitan Area.

The Government now recognizes that it must approach the problem on two levels: (1) defining and implementing policies designed to deal with poverty within a process of orderly urban growth, and (2) instituting specific projects in which the inputs of hitherto independent entities are coordinated, funded, and targeted upon priority problem areas.

The official entities with diverse responsibilities already are performing many of the functions envisioned for an integrated strategy of poverty intervention. At this time, the process of coordination has just begun, but important steps have been taken, some in decades past. Historical benchmarks in the development of planning capacity in Costa Rica include:

- INVU (created in 1954). The National Housing Agency.
- Urban Planning Law (1968, modified 1972), including provision for National Urban Development Plan, Zoning Plan, and Regulative Plan; strengthens role of INVU.
- OFIPLAN (1963), responsibility for preparing the National budget, and as of 1974, responsibility for developing a national planning system.
- "Plan Nacional de Desarrollo Urbano" (1974), a four volume document prepared by INVU-OFIPLAN collaboration.
- National Development Plan (five-year plan 1978-82), published by OFIPLAN in 1977. Fundamental objective: quality of life (p. 47).
- System of Urban and Regional Planning (1976).
- IFAM (1971) National Municipal Development Institute. Supports the League of San José Municipalities and creation of metro-level government. Municipal functions include

erradication and construction.

Other agencies involved in urban planning include the Casa Presidencial (erradication policies, tugurio programs, urban re-modelling); OPAM (problems of urban density and growth); MOPT (urban transportation, the belt roadway now of special interest); and municipalities (erradication, construction, special programs).

This array of agencies and sectoral foci provides an overall picture of the substantive ingredients of current urban development planning in Costa Rica. If all proposals now pending were approved, virtually every way of visualizing the San José urban space would have its own government and planning system. Successive administrative units would unfold, starting from the city center in concentric layers out to the very borders of the country and beyond, taking into account the Central American Common Market and transnational firms which have a very strong impact on urban development patterns. Whether this will provide an ultimate solution to the problem of coordinating programs for people below the poverty line is not clear.

As an alternative or complement to creation of new governmental units, two general strategies, alluded to in chapters VII and IX, deserve attention. One approach is to rely on coordinating councils, vested with enough authority to effectively integrate existing programs without duplicating or eclipsing them. Experience with CAN and CANcitos in the rural sector points to some of the promises and pitfalls of this approach, and yields important lessons for the urban sector.

A second approach is to develop a more forceful and pragmatic national policy -- which now exists in principle -- to strengthen local community-based planning and programming. Central support for decentralized policy determination is the only way the latter can be effective, and in this sense, attention to community-level organizations is an important component of national policy.

Chapter XII. EXTERNAL ASSISTANCE TO THE URBAN SECTOR

CONTENTS

	<u>Pages</u>
A. Infrastructure	210
B. Urban and Regional Development Planning	210
C. Industrial Development	211
D. Employment and Job Training	212
E. Housing	212
F. Future Requirements	212

## Chapter XII. EXTERNAL ASSISTANCE TO THE URBAN SECTOR

External assistance to the San José Urban Agglomeration can be divided into five general categories: Infrastructure; Urban and Regional Planning; Industrial Development and Credit; Employment and Job Training; and Housing.

### A. Infrastructure

General infrastructure investment has traditionally received and continues to receive the most external funding. There are two major active loans: (1) The Inter-American Development Bank's (IDB) \$15.5 million loan for second stage construction of the San José Metropolitan Area Sewage System. This loan will connect an additional 22,200 houses to the city-wide system by 1981, thereby benefitting an estimated 122,000 persons. The majority of houses to be served are in lower middle class barrios of the Metropolitan Area. (2) The Central American Bank of Economic Integration's (CABEI) \$9.5 million loan for expansion and improvement of water supply lines in the Metropolitan Area.

The World Bank is in the final stages of negotiating an Urban Transport Loan for an estimated \$16.5 million. This will finance the construction and improvement of roads in the Metropolitan Area, as well as the purchase of traffic control equipment and technical assistance for training courses for traffic officials, engineers, and bus drivers.

The IDB also is considering three additional loans relating to infrastructure requirements in the Metropolitan Area. Planning documents show a possible \$5 million loan in 1978 to IFAM for storm drainage construction. This first stage would cover emergency requirements in areas (primarily the Barrios del Sur and some poor northern barrios) which have suffered flood damage during heavy rains. Assuming successful implementation, this would be followed by a more general \$13.0 million loan in 1979 to IFAM for additional storm drainage construction and beautification work (parks and recreation areas) in the poorer barrios of San José. In 1980 the IDB is tentatively planning to enter into a third stage loan (\$40 million) with the Costa Rican Institute for Water & Sewage (A & A) for further expansion and improvement of the Metropolitan Area's sewage system.

### B. Urban and Regional Development Planning

The Government of Costa Rica is currently receiving limited technical assistance from the Organization of American States (OAS) for urban and regional development planning. Some of this technical assistance

relates to a GOCR scheme to provide low cost housing in the Metropolitan Area (PROVIS), but the bulk is directed towards regional urban planning, especially in the Atlantic Zone. This latter includes the mounting of a Regional and Urban Information System (SIRU). The new World Bank Urban Transport Loan also includes a technical assistance component for urban planning, primarily technical assistance for OFIPLAN. IDB planning documents also show a possible \$300,000 in technical assistance for urban planning and development in the Metropolitan Area.

C. Industrial Development

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The bulk of external assistance for industrial development has gone into the banking system for credit. There are two current loans which are most relevant to San José's small scale industrial sector: (1) a \$2 million credit from CITICORP of New York to the Central Bank for its family and artesan industry and small scale industry programs and (2) a \$8 million loan from the IDB to the Banco de Costa Rica for "medium and short term loans to small and medium-scale producers to finance projects which ensure the maximum utilization of natural resources, increase employment through the development of labor-intensive industries, and improve the productive structure of the sector as well as stimulating exports of manufactured goods" (IDB News Release, 12/11/75). The World Bank and possibly IDB are also now considering industrial credit loans for 1978/79, geared toward medium and larger-scale producers. Costa Rica is now receiving some technical assistance in industrial development. UNIDO has one resident advisor working with the Ministry of Economy and Commerce in small industry development and industrial decentralization.

All of the above credit and technical assistance is directed toward national programs, and in some cases to regional development efforts outside of the Meseta Central; therefore, not all is relevant to industrial requirements in the San José Urban Agglomeration. new production possibilities, community services and infrastructure, and housing improvement programs--all of which would need to be coordinated with existing and planned external assistance and would need to be targeted to specific groups of people.

AS a result of these identified needs for external assistance, UNID is now designing with the Government of Costa Rica a multifaceted project concentrating on approximately 13,000 poor families in the San José Metropolitan Area. This project will include a housing investment guarantee of an estimated \$2.5 million to finance low-cost housing and home improvements for approximately 8,000 houses and an estimated \$6.2 million for employment generation activities. This latter component will involve activities (1) to identify and place

#### D. Employment and Job Training

The COCR has received only minor assistance from external sources in the areas of employment and job training. The bulk of this has been from the ILO to the Ministry of Labor and National Apprenticeship Institute (INA). The IDB does have an active loan with the Instituto Tecnológico (\$3.3 million), but most funds are going for construction rather than employment or training related technical assistance.

#### E. Housing

Considerable external capital has entered Costa Rica's housing sector. During 1976, \$23 million in loans with international development and private banks were signed. The largest of these was a \$15 million CABEI loan to INVU for long-term financing of low-cost housing (primarily rural), although much in reality will be available only to those in the middle-class.

The OAS is also providing limited technical assistance to the Government's PROVIS mechanism (INVU, IMAS and DINADECO) which was created to find housing solutions for lowest income families using the resources of the three member institutions.

#### F. Future Requirements

Looking at the five general areas of external assistance, donor-Government of Costa Rica programs relating to the San José Urban Agglomeration are "macro" in nature. They address broad issues of infrastructure, housing, and credit-- but they are not coordinated or targeted to specific groups of people or barrios. Because the Government is shifting its emphasis to the poorest barrios and population groups of the Urban Agglomeration, it must develop new programs to address their specific problems. These problems will require capital and technical assistance in such areas as job placement, job training, promotion of labor-intensive technology, stimulation of new production possibilities, community services and infrastructure, and home improvement programs-- all of which would need to be coordinated with existing and planned external assistance and would need to be targeted to specific groups of people.

As a result of these identified needs for external assistance, USAID is now designing with the Government of Costa Rica a multifaceted project concentrating on approximately 13,000 poor families in the San José Metropolitan Area. This project will include a Housing Investment Guarantee of an estimated \$9.5 million to finance low-cost housing and/or home improvements for approximately 8,000 houses and an estimated \$6.5 million loan for employment generation activities. This latter component will involve activities (1) to identify and place

urban poor in current or projected job vacancies; (2) to train workers; (3) to provide technical assistance (management and technology) to small businesses; (4) to identify new export and domestic markets which can be exploited to create additional jobs; and (5) to provide credit to small businesses.

## METHODOLOGICAL APPENDIX

One data source deserves a brief description. The sample survey of tugurio households and adults was a one-time effort by the Oficina de Información's Public Opinion Unit. Coordinating a multi-agency set of interests in information about these neighborhoods, the Office sampled 575 families, containing 2,970 persons in the San José tugurios. A separate survey, conducted at the same time, used a more detailed questionnaire with randomly chosen adults from the same districts, and achieved usable interview data for 517.

The sample was randomly drawn in neighborhoods previously identified by the National Housing Agency (INVU) as deteriorated. In addition to evidence of physical conditions of housing and existence or lack of urban infrastructural services, the Agency relied on 1973 census tract data that dealt with income, unemployment, educational attainment, and home ownership. A point system was assigned to these indicators. One-hundred eight zones were labeled "deteriorated," using this point system, and 41 fell into the areas of greatest deterioration. The sampling was done from these 41 census tracts.

The survey was undertaken in the field during the months of May and June 1977. The census of 1973 had been carried out in May. A comparable employment survey of households was done in July 1976. Fortunately, these periods of the year were sufficiently comparable to avoid problems of seasonal variation.

Of the two surveys, the household survey was oriented most strongly toward housing, family size, and family composition. The adult survey, by contrast, tried to focus on behavior, experience, aspirations, attitudes, and preferences of the respondents.

The sample survey of the tugurios was stratified according to three types of tugurios: concentrated, dispersed, and "unstable pockets." The latter was in turn subdivided into two types, according to whether the pockets were located on state-owned or privately owned land. Numbers of interviews in these four strata were approximately proportional to the estimated population in each. Detailed descriptions of the "collective personalities" of each of these types are contained in this report in Chapter VII, Social Analysis of the Poor and Community Organization.

A more detailed description of the sample and survey methods and the problems encountered is contained in a mimeographed publication of the Oficina de Información, "Informe preliminar de la

encuesta en zonas marginales de Area Metropolitana de San José -  
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## Chapter XIII. URBAN DEVELOPMENT STRATEGIES AND PRIORITIES

### A. Introduction

The Urban Assessment shows that approximately 36 percent or 200,000 people in the San José Metropolitan Area fall below OFIPLAN's current "market basket" poverty line of ¢3,500 per capita income (or ¢2000 in 1973 prices). Although the causes and ramification of their poverty are often intertwined, Chapter VI does identify a number of non-income characteristics of these poor which are relevant to the design of urban development programs:

- They have significantly larger families (6.3 persons vs. 4.8 for families above the poverty line);
- They have slightly fewer family members between the ages of 15 and 64 (2.9 vs. 3.1) and significantly fewer economically active members (1.3 vs. 2.0);
- They have lower labor participation rates (46 vs. 62 percent) and fewer workers per family (1.1 vs. 1.9);
- They have higher unemployment rates (16.5 vs. 3.5); and
- They have a higher proportion of families living in housing classified as "mala" (17 vs. 6 percent).

These characteristics suggest two general foci for future urban development programs: (1) to increase labor force participation and employment opportunities for the urban poor; and (2) to upgrade housing facilities.

### B. General Issues, Strategies, and Priorities

In addressing either of these problems, a number of general issues must first be resolved. The first relates to the dispersion of poverty within the Metropolitan Area and the relation of Metro Area poverty to the broader Urban Agglomeration.

The 1973 census data show approximately 181,000 persons in the Metro Area below OFIPLAN's poverty line, or some 54 percent of the 332,000 poor within the Urban Agglomeration. Characteristics of the poor within the Metro Area and Urban Agglomeration Belt <sup>1/</sup> do not vary tremendously, although the lowest income families in the Metro

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<sup>1/</sup> Urban Agglomeration Belt is that area within the Agglomeration but excluding the San Jose Metropolitan Area. See Map at end of this Chapter, Page 223.

Area are worse off than those in the Agglomeration Belt. For example, labor force participation rates are lower in the Metro at the same time unemployment rates are higher. Also, a significantly higher percentage of low income families live in poor housing: 23 vs 17 percent in the Belt. Income distribution is also slightly less equitable in the Metropolitan Area, indicating that the bottom 40 percent are relatively worse off in the Metro than in the rest of the Urban Agglomeration.

These figures suggest that poverty is a more serious problem in the Metropolitan Area, and that it should be given first priority at this time. The Agglomeration Belt is also physically and functionally different from the Metro. It is generally rural and its major urban population lives in the three intermediate-sized cities of Alajuela (34,000), Heredia (26,000) and Cartago (34,000). The interactions of this Belt with the San José Metropolitan Area do need to be studied over the long run and should therefore be part of any future analysis of secondary cities in Costa Rica. At this point, however, the greatest need is in the Metropolitan Area. Furthermore, as stated in Chapter IV, urban poverty in San José cannot be alleviated by investment in the rural periphery. Urban poverty programs should instead focus on poverty where it is, in this case the Metro Area rather than the broader Agglomeration or the rural periphery.

Within the Metropolitan Area, only 25 percent of the poor live within "tugurios" or physically deteriorated areas. Because 75 percent of the poor are widely dispersed throughout the Metro Area, and because the poor in San José are relatively mobile, detailed geographic targeting of programs is not recommended. On the other hand, cost effectiveness can be improved by focusing on tugurios because they contain higher concentrations of poverty. <sup>2/</sup> It is recommended that, for example, job placement and training programs be geared to low income families in tugurio areas which, with proper publicity and promotion, could be open to the poor from throughout the Metro Area.

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<sup>2/</sup> The Assessment (p.106) indicates that the employment situation in the tugurios is worsening. In addition, the incidence of poverty is almost twice as high in tugurios as it is in non-tugurio areas (26.8 percent of tugurio families fall below the subsistence line of ₡1,300 vs. 15.3 percent for non-tugurio; and 46.3 percent of tugurio families fall below the ₡2,000 poverty line vs. 27.8 percent for non-tugurio).

The Assessment also points out that some of the poor are unreachable through poverty programs stressing productivity, and that they instead must be helped through subsidies, welfare transfers, or social rehabilitation. Assistance for these poor is of high priority to the Government of Costa Rica, which is already implementing a variety of public and private programs to meet their needs. It is doubtful that AID can or should contribute to these efforts. The strategy alternatives which evolve out of the Sector Assessment therefore do not address potential welfare programs. Nor do they address potential health, education, nutrition, or other social services since the GOCR is already implementing and attempting to improve these types of programs. Rather, the Assessment recommends productivity-oriented programs for the poor who are able to take advantage of self-help opportunities.

As general points, the Assessment also recommends that new urban poverty programs should rely as much as possible upon existing organizations and mechanisms and should be based on maximum local participation and self-improvement. These should be indispensable parts of any Government program.

The Assessment offers a number of policy recommendations and program ideas to deal with the dominant employment and housing problems identified in San José.

### C. Employment Issues, Strategies, and Priorities

The Assessment points out that the labor market in San José works relatively well and that policy changes based on the size of an overall gap between labor supply and demand are likely to be overly simplistic and inefficient. However, looking individually at both supply and demand constraints, corrective steps can be taken to improve employment opportunities for the poor.

With regard to the supply of labor, participation by the urban poor must increase. At present fewer than 50 percent of San José's urban poor are active participants in the labor force vs. more than 60 percent for the non-poor. The first priority of any urban poverty program must therefore be to increase labor participation; e.g., through an outreach Employment Service, a motivation campaign, child care centers, and special programs aimed at increasing female participation. The latter are especially important for poor women, whose participation rates are exceptionally low: 20 percent vs. 40 percent for non-poor women between 15 and 64 years of age. The rates for poor and non-poor men are considerably less variable: 76 vs. 84 percent. Increased efforts must also be made to make an inventory of job vacancies on a regular basis, including skill requirements. The Employment Service could then direct applicants to actual vacancies.

Simultaneous efforts must be made to improve the quality of the labor force, primarily through expanded training programs. Much of this can be done through existing training facilities, although greater attention should be given to the special requirements of the poor. Also, to the extent possible, short courses should be offered rather than longer ones, both because they are less expensive and because they respond more quickly to labor market pressures. Training courses that last for years may produce skills which become obsolete soon after the course ends, especially in an economy such as Costa Rica's which is undergoing rapid structural change. The importance of the training option is also verified by the apparent receptivity of the poor to such programs -- the recent tugurio adult survey shows that 68 percent of the respondents would attend training courses.

Some of this training should be aimed at increasing the productivity of those who are currently under employed, although highest priority should be given to training courses for those who are unemployed. A first step in designing training courses will be to analyze the current and projected demand for labor (e.g., as done in the recent Industrial Establishment Survey and Micro-Empresa Survey). Also, if the currently unemployed are

unable to pay for the required training or unable to support themselves during training, Government subsidies should be provided. On-the-job training with apprentice salaries should be maximized, thereby minimizing the need for external subsidies.

While these activities related to labor supply are essential for increasing labor participation and improving employability, they are by themselves insufficient. There must be simultaneous efforts to increase the demand for labor. Possible activities vary from the theoretical (appropriate factor prices and utilization of appropriate technology) to the specific (creation of public sector employment for the hardcore unskilled).

The need for appropriate factor prices and choice of appropriate technology in recent years have become "economic truths". However, the influence of factor prices on choice of technology may often be overemphasized -- cf a number of recent articles on "engineering man" vs. "economic man" and the choice of technology. These articles suggest that "technical efficiency" and the compulsion to be modern are often the most important factors in determining choice of technology. This implies that policy-level efforts relating to factor prices and technology are not likely to be successful by themselves in increasing the demand for labor. Rather, these policy considerations should form a framework within which more specific and direct activities take place to increase demand. There are several direct activities which would increase the demand for labor. First, the GOCR could increase the numbers of people employed in the public sector. The Assessment, however, suggests that the already rapidly growing public sector and controversy which surrounds this growth make this a "last resort" alternative. Public works employment should be considered only for the hard-core unskilled who cannot be productively employed in the private sector. Rather than directly increasing employment in the public sector, the role of Government should be to facilitate private sector development. The Government should insure (1) that adequate job training and placement services exist (2) that these services respond to the special requirements of the poor, and (3) that the poor have access to private sector opportunities.

Within the private sector, the Assessment suggests that highest priority be given to the creation of jobs in the industrial sector. Large industrial concerns undoubtedly will create some employment for the skilled urban poor. However, since, some 40 percent of the urban poor work in the informal sector or in small businesses of fewer than 10 employees, the GOCR should focus its employment generation efforts on these sectors.

The recent Micro-Empresa and Establishment Surveys showed some potential for new job opportunities within existing industries. However, the creation of most new jobs will depend upon new investment. This new investment in turn is dependent upon future production/market possibilities and the availability of industrial credit for small enterprises. Therefore, before jobs can be created, small industrialists must identify and corner new markets, as well as obtain adequate investment funds and gear themselves up for production. This will require extensive coordination between the small enterprises, the Ministry of Industry and Economy, the Institute of Technology, and the National Banking System. If the jobs created for the urban poor are to be productive enough to generate wages above the poverty line, and if they are to be economically beneficial to the country and not merely subsidies for the poor, the new jobs will have to reflect new production possibilities for which Costa Rica has some comparative advantage. This will include market analysis of production possibilities in the export sector, as well as study of the best work-place mechanisms or organizations for taking advantage of export potential.

To the extent that the industrial sector cannot provide sufficient job opportunities for the urban poor of San José, the GOCR should look toward the construction sector. This sector provides especially good opportunities for the least skilled.

In designing poverty programs, whether they be social services or physical facilities, the GOCR should also insure that the poor are hired to supply services to other poor as much as possible -- rather than hiring the middle-class social worker to be in the tugurio only during working hours.

#### D. Housing Issues, Strategies, and Priorities

Poor housing is only one facet of tugurio poverty; therefore, the "housing problem" should be addressed as part of a larger effort, including community development, infrastructure upgrading, and income generation.

Slum eradication should be a last resort measure and only in cases where slums are in physically precarious areas. Housing solutions should involve as little abrupt change as possible in the lives of residents. Self-help home improvements and "sites and services" programs should be emphasized because Costa Rica has experience with self-help housing, and surveys indicate high tugurio interest in self-help activities. These self-help programs will also improve skills of the poor as well as provide jobs.

There are a number of Government and private sector housing programs which need to be joined together in a coherent national strategy. The various low cost housing programs should be consistent with regard to the definition of "minimum" housing, use of subsidies and self-help programs, and credit terms. Also, rehabilitation/upgrading mechanisms must be developed and urban municipalities convinced that artificially high standards are unnecessary. Rent control legislation and rent subsidy programs may also be needed as part of a national housing policy.

Initial attention should be given to improving credit access for those interested in upgrading and building low-cost housing. INVU, DINADECO, and IMAS under the PROVIS system are doing this now, but the system needs to be strengthened. Credit is also needed for land purchase, tenure legalization and registration. These institutions also need to develop mechanisms to offer technical assistance to borrowers and others who personally upgrade their homes.

### E. Suggested AID Strategy

In accordance with its DAP strategy, AID should primarily assist the GOCR in productive solutions to poverty. AID projects should attempt to reach into the lowest decile possible with self-help programs, especially those which provide jobs. Welfare programs for those not able to take advantage of self-help opportunities should be left solely to the GOCR.

The highest priority activities relate to employment and housing requirements. With regard to the former, attention should be given to both labor supply and demand factors. Because some job vacancies already exist, top priority should be given to supply factors --especially as regards upgrading the outreach capabilities of the Employment Service and relating training requirements to actual jobs. However, over the longer run, the demand for labor needs to increase. The highest potential appears to be in the small enterprise industrial sector; therefore, AID should concentrate its resources in this sector. In order to generate new labor demand, new production possibilities, including those offered through export markets, will need to be identified. AID should help the GOCR identify these possibilities, linking new production to labor and organizational requirements which can be met by the urban poor. An essential part of this production-employment system is the availability of adequate credit resources. To the extent that credit is not available, AID should work with the GOCR in identifying banking reforms which are necessary to increase the flow of funds to the major employers of the poor. If additional credit resources are required, especially in light of the increased demand for credit expected after banking reforms are made and institutional support systems established (i.e. T.A. to borrowers, training and placement services, etc.), AID should consider capital transfers to the GOCR.

In the housing sector, AID should assist the GOCR in developing a national housing policy. This would be done most effectively through a demonstration project which identifies and remedies housing and infrastructure deficiencies for the urban poor.

In designing an urban development program, AID should recognize the two-way complementarity between its housing and employment (income) objectives. Income generation activities can support housing programs by providing substantial resources to the same communities concurrently, or prior to shelter activities. This timing will generate employment and consequent increased incomes for the target poor, thereby enabling them to pay for housing and community infrastructure. Increased incomes will also enable people to make housing improvements in addition to any financed as part of an AID program. Credit

for home or community improvements will also support employment generation objectives. First, it will directly provide new employment opportunities in the construction sector. Secondly, it will stimulate the expansion of small labor-intensive construction firms which can continue to function after the initial credit is utilized. Thirdly, shelter and community improvement credit, and accompanying technical assistance, will improve the skills of those working in the construction sector, especially those involved in self-help improvements to their own homes.

While AID's urban development strategy should continue to concentrate on productive solutions to poverty, and most particularly on employment and housing activities, its strategy should be flexible over time. This is particularly important with regard to geographic concentration --i.e., the Urban Agglomeration, as well as between the Agglomeration and the rest of the country.

Any flexibility in strategy must be based on continued analysis of urban poverty in Costa Rica. Therefore, AID should consider financing additional analysis of (1) the potential impact of employment and housing activities on the flow of rural poor to the city; (2) the degree and nature of poverty in secondary cities, including those in the Urban Agglomeration; (3) the relationship of urban poverty in San José to regional development and the growth of secondary cities, particularly those in the Urban Agglomeration; (4) the continued mobility of the poor within urban areas and their ability to take advantage of non-geographically targeted programs; (5) improved definitions of the AID target group, especially the distinctions between the hardcore poor who are dependent upon welfare transfers and the more upwardly mobile poor who can take advantage of housing and employment programs; and (6) the on-going evaluation of the impact of various urban poverty programs.

# SAN JOSE

