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MONITORING POVERTY AND EMPLOYMENT TRENDS: AN INDEX FOR SOCIAL DEBT

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FOREWORD

Almost seven years ago, the elected President of Brazil, the late Tancredo Neves, introduced the political concept of the social debt. This was done in the midst of the foreign debt crisis to call attention to the social implications of an adjustment process mainly geared towards the "normalisation" of the external debt problem. In political terms it had become increasingly fashionable to oppose the social debt, or, as it was called by other Latin American presidents of the time, the sacrifice of the people, to the possibilities of paying the arrears in foreign debt servicing.

The social debt concept had a loose meaning referring to social costs but without clear specification of what and how much was involved. At PREALC (1988c) we developed a methodology which, inspired by this political thrust, was meant to provide an analytical tool to reinforce an effort started earlier, aimed at incorporating the social dimension into adjustment policies. In doing so, we evolved a methodological approach with two main objectives. The first was to look at distributive effects beyond those which affect the poor. This was done by combining changes in the distribution by income level with those occurring in the functional distribution of income. The second was to relate the changes in the distribution of income to those in labour markets. This could allow tracing linkages of changes in permanent incomes to those in the occupational situation and provide an analytical base for policy-making.

During the decade of the 80s conventional thinking and policy-making in the field of economic adjustment evolved in such a way that today it is a widely shared opinion that adjustment effects are non-neutral from a distributive perspective and that there is need for safety nets to compensate the more affected groups, particularly the poor. Less progress has been made in dealing with the social dimensions in a more integrated manner when economic policy decisions are taken. The social debt concept, which originated as a revindictory claim, has evolved in Latin America into a more positive approach to reinsert these social concerns in the center of the discussions. If this methodology can contribute to systematically incorporate poverty, income distribution and employment issues into the debate, we think it could constitute a useful instrument.

In this paper we present a synthesis of concepts and results. The first two parts contain the conceptual and methodological analysis, while the following two refer to the results achieved by applying the methodology to Latin America as a whole as well as to a selected group of countries. The final section presents some conclusions.

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Víctor E. Tokman
Director

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MONITORING POVERTY AND EMPLOYMENT TRENDS: AN INDEX FOR SOCIAL DEBT

A. The social debt: A concept to evaluate the distributive equity of the adjustment process

To evaluate the social efficiency of the process of adjustment, two criteria are proposed.

The first option would be to use the criterion of "proportional equality" whereby all social sectors are expected to reduce their living standards at the rate of the decline in real income in the corresponding countries. This means that for Latin America as a whole, each social group, including the poor, would share in the adjustment cost by reducing its income by 16%, equivalent to the decline of the national per capita income of the region. This means that, for Latin America as a whole, each social group would share in the adjustment cost by reducing its income by 16%, equivalent to the decline of the national per capita income of the Region during the period 1980-89 (PREALC, 1990c).

A second option consists in adding a criterion of equity according to which no decrease can be allowed in the consumption of the poor, given their subsistence level. The explicit distributive option of this criterion means that the cost of adjustment would be absorbed proportionately by those groups which are not poor, thus preventing a further increase in the spread and intensity of poverty. Following this criterion, the real income of the poor should have remained constant, while the income of the non-poor sectors should have been reduced by a percentage exceeding 16%. Moreover, the distributive equity criterion for absorption of this cost implies that the non-poor sectors (workers and capitalists) should contribute according to their income share before the crisis. Hence, this methodology would ensure that the non-poor social groups as a whole contribute to the

payment of the social debt according to their income capacity.

The concept of social debt used in this paper is based on the second criterion. It incorporates the notion of long-term social debt that corresponds to the amount of resources needed to eradicate the historic poverty gap and to repay the short-term social debt which has emerged as a result of the unequal distribution of the cost of adjustment during the last decade.

1. *The long-term social debt*

The long-term social debt (or social debt stock) refers to the resources needed to eliminate the level of poverty existing prior to the adjustment period.

To estimate this cost we will use the concept of the poverty gap, which is equivalent to the resources needed for the poor to reach the poverty line. However, the poverty gap does not take account of the cost of providing or generating such resources for the poor groups. Hence, the estimate should include the cost of producing goods, services or public subsidies for the poor as well as the cost of creating employment at productivity levels sufficient to generate permanent incomes to satisfy basic needs.

The cost of reducing poverty then is equivalent to the poverty gap adjusted by a factor to include the cost of providing the resources needed. This factor may vary according to the type of policies applied. An empirical proxy to this factor can be made on the basis of the relation between income growth and poverty reduction registered in the past. This cost will depend on the prevailing intensity of poverty, on the distributive changes that took

place and on the efficiency of the policies adopted to overcome poverty.

2. *The short-term social debt*

The increase of the social debt over a certain period of time, or the short-term social debt, contains the following components: the cost of reducing the spread and lessening the intensity of poverty to levels prevailing in the initial year of the period under study (in this case, the onset of the foreign debt crisis), and the extent to which a regressive change in the distribution of incomes among the non-poor has taken place during the same period.

The increase in the spread of poverty is linked, from a labour market perspective, to the slow-down of the rate of formal employment creation in relation to the labour supply growth as a consequence of economic recession. This can have three labour effects: an increase of unemployment, an expansion of employment at low-productivity levels in the urban informal and the rural traditional sectors (UIS-RTS) and an increase of the number of people earning wages below the poverty line in the formal sector.

The increase in the intensity of poverty, in turn, can be attributed to the decrease in incomes of the poor which may respond to three main causes: (a) a reduction of social expenditure per person; (b) an increased share of those unemployed and lower-income informals; and (c) a drop of average incomes in the UIS-RTS and/or in real wages.

The distributive component of the short-term social debt is related to the unequal absorption of the adjustment. During the 1980s, the slow-down of economic growth was accompanied by a diminished share of labour incomes in national income. The short-term social debt, as defined above, affects both the poor and the non-poor. In fact, the spread and intensity of poverty tend to increase while simultaneously wages of the non-poor groups are reduced. Therefore, the social debt includes the excess cost that wage-earners, the unemployed and the underemployed had to pay during the adjustment process.

B. A methodology to estimate the social debt

In this section the factors explaining the behaviour of both the long-term and the short-term social debt will be specified ².

1. *The social debt stock*

As the long-term social debt (or social debt stock) is equivalent to the amount of resources needed to provide incomes for the poor to satisfy a basic level of living, the cost of reducing poverty is equivalent to the poverty gap adjusted by a factor to include the cost of providing such resources. To determine this cost a poverty-income elasticity of the poor, expressed in terms of total GDP, will be used. If (D_s) is the stock of the social debt in the initial year and σ the poverty-income elasticity to the Gross Domestic Product (Y), then:

$$D_s = \sigma Y \quad (1)$$

The parameter σ can be estimated on basis of the cost paid for the partial reduction in poverty in the past, using data on GDP growth, the share of the income of the poor in total income and the spread of poverty. Elsewhere, we have estimated that during the 70s, σ has been equal to 0.70 (PREALC, 1988c). If it is assumed that the elasticity is constant and that around 30% of the urban population was poor at the beginning of the last decade, the social debt stock will amount to 21% of total GDP.

2. *The short-term social debt*

The short-term social debt refers to the variations in the social debt stock over a specific period of time. As defined before, it represents the resources needed to avoid poverty increases and to restore the share of non-poor workers in total income. It is then the result of two components, one linked to the reduction of

poverty (D_p) and another related to the distributive cost of the adjustment (D_{mp}).

a) *Social debt and poverty*

To estimate the first component we start from the conventional notion of the poverty gap.

$$B_p = N_p(y_b - y_p)/Y \quad (2)$$

The poverty gap (B_p) is equal to the amount of resources -expressed in terms of (Y)- that should be transferred to the poor sectors to reach the poverty line ($N_p y_b - N_p y_p$).

$$Y = N \cdot y \quad (3)$$

National income (Y) is equal to the total population (N) multiplied by per capita income (y).

$$B_p = (N_p/N) \{(y_b - y_p)/y\} \quad (4)$$

replacing (3) in (2), the poverty gap becomes a function of the spread (N_p/N) and the intensity of poverty $\{(y_b - y_p)/y\}$ expressed in terms of per capita income.

If α is the ratio between the average income of the poor and the poverty line (y_b) and β is the ratio between the poverty line (y_b) and per capita income (y), then:

$$y_p = \alpha y_b \quad (5)$$

$$y_b = \beta y \quad (6)$$

$$B_p = \{N_p/N\} \{\beta(1-\alpha)\} \quad (7)$$

The poverty gap can then be defined in terms of the spread of poverty (N_p/N) and the components of its intensity $\{\beta(1-\alpha)\}$.

To relate the poverty gap to the labour market and, consequently, to the social debt, it is necessary to link population (N) and labour force (F). Defining the rate of global participation of the poor as $\underline{d}$, and the total

participation rate as $\underline{e}$ and distributing the use of the labour force of the poor between those employed in the modern sector (E_{pm}), in the informal sector (E_{pi}) and those unemployed (D_p) leads to:

$$F_p = dN_p \quad (8)$$

$$F = eN \quad (8')$$

$$F_p = E_{pm} + E_{pi} + D_p \quad (9)$$

replacing in (7),

$$B_p = (e/d) \left[\frac{E_{pm} + E_{pi} + D_p}{F} \right] \beta(1-\alpha) \quad (10)$$

The spread of poverty can be expressed in terms of both global participation rates (e/d) and the ratio of the different components of the poor labour force in total EAP.

$$\hat{(e/d)} = 0 \quad (11)$$

$$\hat{(E_{pm}/F)} = 0 \quad (11')$$

$$\hat{\beta} = 0 \quad (11'')$$

To simplify it is assumed that in the short-term the relation between the global rates of activity (e/d), the proportion in total EAP of poor workers in the modern sector (E_{pm}/F), and the relation between the poverty line and per capita income (β) are constant. If $i = (E_{pi}/F)$ and $\hat{d} = (D_p/F)$, then the growth of the poverty gap (B_p),

$$\hat{B}_p = i(\hat{E_{pi}/F}) + d(\hat{D_p/F}) + (1 - \alpha) \quad (12)$$

The increase of the poverty gap can then result from increases in the degree of informality of employment ($\hat{E}_{pi}/F$), of open unemployment among the poor ($\hat{D}_p/F$) and/or in the gap between the income of the poor and the poverty line ($1 - \alpha$).

$$\hat{D}_{sp} = k \hat{B}_p = k_1(\hat{E}_{pi}/F) + k_2(\hat{D}_p/F) + k_3(1 - \alpha) \quad (13)$$

The short-term social debt owed to the poor sector is then the amount of resources needed for diminishing the spread of poverty and for increasing social expenditure to cover the expanded intensity of poverty. It can be expressed as a proportion of the income ($\hat{D}_{sp}$) and amounts to k times the resources required to close the poverty gap. This multiplier is, in turn, a function of the cost of generating employment (k_1), of increasing the productivity of the informal sector (k_2) and of reducing the intensity of poverty through social spending (k_3).

$$\hat{D}_{sp} = \hat{D}_{spi} + \hat{D}_{spd} + \hat{D}_{smp} \quad (14)$$

where

$$\hat{D}_{spi} = \tau y \quad (15)$$

$$\hat{D}_{spd} = \delta y \quad (15')$$

$$\hat{D}_{smp} = \epsilon y \quad (16)$$

The parameters (τ) and (δ) were estimated as follows: the investment required for employment creation refers to labour intensive activities where the wage share is 0.5. In addition, it was assumed that the average wage would be equal to the poverty line, which, as an average for the region, amounts to 25% of GDP per person. If the capital output ratio is equal to

one, the cost of increasing employment by 1% represents 0.5% of GDP growth. Thus, for example, the increase in the spread of urban poverty resulting from heightened underemployment and unemployment (6% of the population during the 80s) represents a cost equivalent to 3% of GDP.

The increase of social expenditure as a proportion of GDP (ϵ) has two components: the widening of the income gap of the poor with respect to the poverty line ($1 - \alpha$) and the cost of inputs and distribution of goods and services supplied by the government (f) so that $\epsilon = (1 - \alpha)(1 + f)$. It has been estimated that $(1 + f) = 1.7$ (PREALC, 1988c).

b) *Distributive cost of the social debt*

The distributive equity criterion in the payment of the social debt is applied to the non-poor sectors of the population under the assumption that the real income of the poor should be kept at least constant and that workers and capitalists should contribute according to their incomes share. To estimate this component ($\hat{D}_{smp}$), income growth ($\hat{Y}$) was de-composed between the three groups while the share of the poor was adjusted by ($s = \tau + \mu + \epsilon$) and allocated to the non-poor,

$$\hat{Y} = a\hat{Y}_p + b\hat{Y}_{mp} + c\hat{Y}_u \quad (17)$$

$$\hat{Y} = a'\hat{Y}_p + b'\hat{Y}_{mp} + c'\hat{Y}_u \quad (18)$$

$$a' = a + s \quad (19)$$

$$b' = \left\{ b - \left(\frac{b^0}{1-a^0} \right) s \right\} \quad (20)$$

$$c' = \left\{ c - \left(\frac{c^0}{1-a^0} \right) s \right\} \quad (20')$$

As a result, non-poor workers and non-wage earners would absorb $(b^*/1-a^*)$ and $(c^*/1-a^*)$ respectively of the cost of avoiding increases in poverty (s). A social debt due to distributive inequity will exist when the income share (b or c) of a social group is lower than that estimated by equi-distribution (b' or c'). If this situation occurs, the corresponding group is considered a "social creditor".

$$\hat{D}_s = k\hat{B}_p + (b'-b) \quad \text{when } (b'-b) > 0 \quad (21)$$

Summing up, the macro-economic cost of the short-term social debt would be the amount of resources (expressed in relation to $\hat{GDP}$) needed to eliminate poverty increases ($k\hat{B}_p$ and to compensate the distributive inequity of the adjustment ($b'-b$), or ($c'-c$), if > 0 .

C. Latin America: Economic adjustment and social debt, 1980-89

The concept of social debt will be used to estimate the distribution of the cost of adjustment, linking it to the changes in the labour market and to its effects on poverty and income distribution among non-poor workers.

1. The deterioration of the labour market³

During the last decade, the evolution of the labour market underwent fundamental changes in relation to its performance during the past 30 years. Heterogeneity in the labour market increased and both underemployment and occupational instability likewise expanded.

First, the sharp drop in economic growth led to a slow-down of employment creation in the modern sector. The resulting sluggishness proved inadequate to absorb the expansion of labour supply despite the decreased demographic pressure registered during the past decade. Unemployment nearly doubled its historical level during the early 80s and employment generation concentrated in low productivity sectors (PREALC, 1990c). In fact, the slowing of

economic growth to 1.2% per annum resulted in an expansion of employment in the modern sector of only 0.5% per annum, reducing its share in non-agricultural EAP from 40 to 30% between 1980 and 1989. In addition, the public sector played a pro-cyclical role, diminishing its employment share from 15 to 14% during the same period.

As a result, the employment structure deteriorated, since informal sector participation increased from 25 to 31% while employment in traditional agriculture expanded from 58 to 60% (PREALC, 1990c).

Secondly, the deterioration of the employment structure and open unemployment increases resulted in an expansion of total underutilisation of labour (underemployment plus unemployment) from 40 to 42%. This broke the downward trend registered during the three decades previous to the crisis. In addition, the composition of underutilisation changed, in as much as the share of underemployment augmented and the urban areas accounted for an increasing part (70%) of the overall employment problem in the region⁴.

Thirdly, labour income also decreased in real terms. At the end of the decade, real wages paid by medium and large-sized enterprises were 7% lower than in 1980. Wages in the public sector fell by 30% while minimum wages and the average income of the urban informal sector were reduced by 24 and 42% respectively during the period.

Fourthly, employment instability grew, since permanent employment was increasingly replaced by part time work and by subcontracting (Wurgaft, 1988).

To sum up, the external crisis and the adjustment policies led to a deterioration in the labour market. This, in turn, resulted in a rise of poverty and in a relative loss for the middle income groups.

2. Increase of poverty

Poverty, which was declining in relative terms up to the beginning of the last decade,

increased rapidly during the first half of the 80s and then stabilised (ECLAC/PNUD, 1990a). The percentage of the total population below the poverty line rose from 41 to 44% between 1980 and 1989. In particular, indigence augmented from 19 to 21%. This rise in poverty was concentrated in the urban areas where the poor increased from 30 to 36% while the percentage of the rural poor remained constant at around 60%⁵.

The causes of urban poverty expansion are related to the deterioration of the labour market during the last decade (PREALC, 1988c; Rodgers, 1989; PNUD, 1990 and Tokman, 1991). The increase of six percentage points in the proportion of urban poor households is mainly explained by the rise of unemployment (around 60%) and the expansion at lower average income levels of informal employment.

3. Economic deprivation of middle income groups

The adjustment of the labour market also meant that the standard of living of non-poor workers belonging to the middle-income stratum declined. This affected their share in national income, constituting an instance of economic deprivation during the decade⁶. Wage earners registered a reduction of 6.0 percentage points of their share of GDP (see table 1). As it is estimated that the income of the poor declined in an amount equivalent to 1.7 percentage points of income (increase in the urban poverty gap), the loss for middle-income wage earners was around 4.3 percentage points of GDP during the period.

Although middle-income groups were the most affected in terms of absolute income, this was not the case in relative terms. In fact, the relative situation of the poor deteriorated in the measure that they were increasingly unable to satisfy their basic needs (intensity of poverty). Average income of poor households, which in 1980 was 32% below the poverty line, fell to 45% below that line by the end of the decade (see table 1).

4. Macro-economic cost of the social debt

The short-term and the long-term urban social debt will be estimated following the methodology described in the previous section. As defined above, the macro-economic cost of the short-term social debt is the amount of resources required to offset the increase in poverty and to compensate non-poor workers for the distributive regressiveness that took place during the adjustment period.

Between 1980 and 1986 the urban poverty gap rose by 1.3% of GDP as a consequence of the increase in the spread of poverty and income insufficiency, owing to a deterioration of the income of the poor in real terms (see table 1). This represented an increase in the urban social debt equivalent to 4.0% of GDP, since to return to the situation prevailing at the beginning of the decade, it would be necessary to re-establish the sources of permanent incomes and to transfer to the poor to compensate for the heightened intensity of poverty. According to our methodology, around 3.0% of GDP would have to be spent on creating stable and well-paid jobs in order to eliminate the increase in the incidence of poverty while social spending would have to be raised by around 1.0% of GDP to reduce the intensity of poverty.

In addition, following the distributive equity criterion, the 4.0% of GDP needed to pay off the urban short-term social debt with the poor sectors should have been proportionally financed by the non-poor groups according to their income shares. In fact, non-poor wage earners did absorb a larger proportion, thus becoming "social creditors" by an amount equivalent to 1% of GDP. The urban short-term social debt, including both the poverty and the equity components, amounted to 5.0% during the first half of the decade (see table 1).

From 1986 onwards, Latin America registered a mild recovery, growing by 1.5% per annum. In spite of this, the social debt did not decrease. Although the situation was improved by a drop of the unemployment rate from 7 to 5%, low productivity employment both in the informal sector and small enterprises

continued to expand at a faster rate than employment in non-agricultural sectors. The share of the former increased from 28 to 30% and that of the latter from 18 to 21% between 1986 and 1989 (PREALC, 1990c). Poverty also expanded due to heightened intensity. In addition, as real wages fell the non-poor workers' share in income deteriorated even further than it would have done if the cost of adjustment had been absorbed proportionally by the non-poor and the poor had not been affected. As a result, the urban short-term social debt amounted to 6.0% of GDP for the 1980-89 period, 5.0% of it corresponding to worsening poverty-employment conditions and the remaining 1.0% to the distributive regressiveness that took place during the period (see table 1).

The rapid economic growth registered in Latin America previous to the crisis was not sufficient to eradicate urban poverty so that by 1980 one third of the population was living in poverty conditions. Hence, the long-term social debt with the urban poor amounted to 21.0% of GDP ⁷. The economic situation during the 80s deteriorated further, creating an additional social debt whose payment would require resources equivalent to 6.0% of GDP. As a result, cancelling the urban social debt would demand the 27.0% of GDP used for this purpose. Thus, the region as a whole is today further from being able to solve the problem than it was a decade ago. The situation, of course, varies according to country and in this regard an analysis of national situations can shed additional light on the social efficiency of adjustment policies. This is a subject that will be explored in the following section.

D. Towards an index for urban social debt: The cases of Brazil, Colombia, Costa Rica, Chile and Peru

The preceding analysis of the evolution of the urban social debt in Latin America could involve diverse national situations. In this section, the methodology is applied to Brazil, Colombia,

Costa Rica, Chile and Peru. An index is also presented as an indicator of the resource effort involved to confront the social debt.

The years selected were those in which ECLAC published poverty data which allow for a comparison between the beginning and the end of the past decade, with an intermediate year (1986-87) to permit identifying changes in trends. The economic evolution of the countries considered show a recessive period (1980-83) during the first half of the decade, while 1984-86 were recovery years. By 1986 gross domestic output in all countries analysed was slightly above the level of 1980 ⁸. After 1987 the economic performance was diverse. Chile and Costa Rica reached high growth rates, Brazil and Colombia registered moderate economic expansion while Peru showed a significant decline.

1. The 1980-86 period

During this period the urban social debt index increased in all selected countries, though in differing degrees. The resources required to meet the debt represented a small fraction of GDP in Costa Rica (1.2%) and Colombia (2.1%) which, however, was significant in the cases of Brazil (3%), Peru (5%) and Chile (7.3%). (See table 7). This was the result of the general negative performance in the labour market, which affected in different degrees the countries analysed. On the one hand, the urban unemployment rate reached its highest level in most countries in 1983. This was further aggravated by a rapid expansion of low income jobs pertaining to informal activities and the small enterprise sector. Between 1980 and 1986 the share of these types of occupations in the urban work force rose between 8 and 9 percentage points in Brazil, Costa Rica and Chile while in Peru the increase was 18% (see tables 2-6). The deterioration of the labour market caused an increase of urban poverty, with the exception of Colombia, where the poverty situation did not change. The spread of poverty increased by 4% of the urban population

in Brazil, by 6% in both Costa Rica and Chile and by 14% in Peru.

Moreover, the intensity of poverty also heightened since due to the loss of purchasing power of labour incomes in most countries, the poor sectors found it increasingly hard to reach the poverty line (see again tables 2-6). Between 1980 and 1986 the income gap⁹ widened considerably in Chile (15%), Brazil (11%), Costa Rica (9%) and to a lesser degree in Peru (3%). The opposite happened in Colombia, where the degree of insufficiency in incomes decreased by 7% during the same period, partly as a result of an active minimum wage policy.

On the other hand, the loss of dynamism and quality of employment, added to the decline of real wages, meant a significant reduction of the share of labour incomes in the total product. Between 1980 and 1986, the latter decreased by four percentage points in all countries analysed. In some, like Colombia and Chile, this reduction was beyond what should have been required for an equitable distribution of adjustment costs¹⁰. In the remaining countries the labour incomes share did not decrease proportionally to the poverty expansion. Non-poor labour incomes were 1% higher in Brazil and 3% higher in Costa Rica and Peru than they should have been had all non-poor groups contributed according to their income capacity to finance the increased poverty.

2. *The 1987-90 period*

Contrary to the previous period when all countries showed a relatively homogeneous increase of the social debt, the second half of the decade was characterised by a differentiated behaviour. This was associated with three different situations.

First, countries like Costa Rica and Chile, which were most advanced in implementing structural adjustment policies, were also more successful in reducing the urban social debt. By the end of the decade their index was close to the level of 1980 and the reduction in the second

half of the decade was 1.2 and 6.1 percentage points respectively (see table 7).

The economic recovery after 1986 reached levels of 4.4% in Costa Rica and 6% in Chile. This allowed to recuperate pre-crisis employment levels and, furthermore, end the decade with an unemployment rate lower than that of 1980 (see tables 4 and 5). In addition, the employment increase was concentrated in the modern sector and in small enterprises, with the participation of informal activities in urban EAP remaining constant. The consequent productivity gains resulted in a recovery of labour incomes, particularly in Chile.

Second, although the evolution of the social debt in Colombia was similar to the two previous cases, this was mainly due to the maintenance of a traditionally sound macro-economic policy which permitted growth without creating major imbalances.

After the short-term adjustment of 1984-85, growth accelerated, reaching an annual average of 4.6% during the second half of the decade¹¹. As a consequence, open unemployment fell from 13.8 to 9.6% between 1986 and 1990. The employment expansion occurred mainly in the modern sector and in small enterprises, while the share of informal employment decreased. In addition, real wages rose, which, combined with the expansion of employment, meant that the share of labour incomes remained constant. In sum, during the 1986-90 period the behaviour of the labour market led to a lessening of the spread and intensity of poverty as well as to a decrease of the distributive adjustment cost that fell on non-poor workers (see table 3). Consequently, the urban social debt diminished to 28 GDP percentage points in 1989, a level similar to that registered at the beginning of the decade (see table 7).

Third, the steady increase of the urban social debt in Brazil and Peru during the second part of the decade (see again table 7) suggests that the absence of adequate policies for stabilisation and productive transformation can entail high social costs. Although there are also social costs associated with adjustment, this cannot constitute an argument for non-adjustment, which, as these

cases show, can eventually result in even higher social costs.

The deceleration of growth in Brazil and the reduction of economic activity in Peru negatively affected the labour market. In addition, accelerated inflation caused a drop in wages of 5.0 and 17.0% respectively (see tables 2 and 6). Towards the end of the period Brazil registered an urban social debt representing 29.5% of GDP, whereas this indicator reached 41.0% in Peru. This meant that the short-term social debt generated during the decade amounted to 5.7% of GDP in Brazil and to 14.3% in Peru.

To sum up, the relatively homogeneous performance of the economies during the recessive phase suggests that the adjustment implied an increase, without exception, of the urban social debt. However, the countries which made more progress in implementing structural adjustment policies (Costa Rica and Chile) or which were successful in maintaining macro-economic balances (Colombia) managed, through sustained growth and recovery of the labour market, to diminish the burden of the social debt towards the end of the decade. The failure in this respect of Brazil and Peru led to a steady increase of the urban social debt during the 80s.

3. *The behaviour of social expenditure*

For an assessment of the social debt to be comprehensive it would have to be complemented by an analysis of social expenditure, which played an important compensatory role during the crisis ¹². In some countries like Colombia, Costa Rica and Chile the reduction of social expenditure caused by adjustment policies was counterbalanced by better targeting on the poor sectors.

As recent studies ¹³ show, targeted spending reached between 20 and 40% of total social expenditure in Colombia and Chile respectively. This transfer of resources represented 1.7% of GDP in Colombia and 3% in Chile, as compared to labour incomes of poor families which only

account for 5 and 7% of GDP, respectively ¹⁴ (see tables 3 and 5).

Increased targeting of social spending, however, can have different distributive consequences for non-poor groups, depending on its financing. If expenditure focusing is made in a context of social spending constraint, this will most likely affect middle income groups. These will then result in the most affected social group, since added to their deteriorated employment situation they will have less access to public goods. This does not necessarily have to be the case, considering that it is possible, as recent experiences in Chile show, to finance through a progressive tax reform an increased level of social expenditure which is focused on the poor without affecting the access of medium income groups ¹⁵.

E. Summary and conclusions

The social debt concept started as a political idea to foster attention to the internal effects of the foreign debt crisis. It was introduced to argue that debt repayment would imply an unbearable cost on the poor. We thought that while the concept was useful it required to be more clearly defined and operationalised, since while political claims are sometimes useful they usually introduce additional problems if they are not followed by a feasible policy proposal.

As shown in this paper, the social debt concept has been defined so as to identify not only the impact of the foreign debt crisis and adjustment policies on the poor but also, on equity. It is a combination of changes in the distribution of income by income levels (the poverty component) and in the functional distribution (the labour share component). It is further accepted that adjustment imposes unavoidable costs which should be equitably shared by all social groups with the only exception of the poor who cannot afford it. This recognises an absolute priority on protecting the poor and at the same time, to ensuring an equitable distribution of the cost of adjustment.

The methodology can contribute to policy formulation in several ways. First, it serves to determine costs involved if a repayment policy is implemented. It also allows to distinguish between short-run costs, that is, those which are the result of the crisis and long-run costs, which reflect structural factors. Second, it permits to identify the more affected groups and particularly, their labour insertion. The poor are identified not only because of their income below a poverty line, but also in relation to their insertion in the labour market. It is then possible to determine whether they are unemployed or occupy a low productivity-low paid job. The same can be made with those persons who depend on their labour income, independently of their income level. Third, on the basis of the previous identification it is possible to introduce priorities both in time and social groups, as well as to design support programmes to create new jobs or to increase productivity of existing jobs or to recuperate wages.

The methodology used is easily quantifiable on the basis of usually available statistics of National Accounts and Household Surveys. Two limitations of these data require further statistical effort. First, the estimates made refer to urban areas, since to quantify the rural social debt the available data on agricultural employment and incomes are scarce. Second, only monetary incomes are considered since more information is needed on social expenditure, particularly by income levels, to measure effective welfare levels.

The social debt methodology can serve to monitor policy results. We have estimated that the social debt increased in the 80s in Latin America by 6% of GNP and that the main impact was concentrated during the first half of the decade. However, the performance of the five countries analysed suggests three different patterns in the evolution of the social debt.

The first is suggested by Costa Rica and Chile, countries which implemented drastic structural adjustment policies during the period. In both cases, the increase of the urban social debt during the recessive phase was compensated

by a decrease during the period of recovery. The second is illustrated by Colombia, where the urban social debt registers only minor variations during the decade. This country managed to achieve steady growth without major macro-economic imbalances or increased foreign indebtedness. In addition, an expansive wage policy up to 1985 and a selective social expenditure policy avoided the expansion of urban poverty and produced neutral distributive effects. The third pattern is suggested by the performance of Brazil and Peru, the clearest cases of lack of adjustment, both short-run and structural, during the 80s. Although during the early stages of adjustment the social costs might have turned out higher than in a situation of non-adjustment, in the longer run the effects of the restructuring process would show more favorable results. In the former case, there is room for improvement while in the latter the postponement of adjustment is made at an increased cost, solving neither the social nor the economic problems.

Towards the end of the decade the level of the urban social debt in Colombia and Costa Rica was the same as in 1980 while in Chile it increased by 1%. In contrast, in Brazil and Peru, the short-term urban social debt reached 6.1 and 14.3% respectively of the product. In terms of the long-term social debt, that is to eradicate the urban poverty existing in 1980 and to repay the social cost of adjustment, the resources required for Latin America as a whole would amount to 27% of the regional product. The situation by country ranges from 12.6% in Costa Rica to 41.0 in Peru, with Chile, Colombia and Brazil varying between 26 and 29%. For all countries, however, the task is at least as demanding as a decade ago.

To conclude, the social debt analysis can contribute to pay more attention to the social dimensions of adjustment. It identifies ways to compensate the cost involved but the timing and specific policy mix will depend on country situations. While social debt repayment beyond economic possibilities can lead to worsen social conditions, ignoring the cost absorbed by the weaker groups of society during the process of

adjustment will surely rest social and political sustainability of the productive transformation in the long run.

Notes

- ¹ Special mention must be made of UNICEF for its leadership in this effort. *Adjustment with a human face: Context, contents and economic justification for a broader approach to adjustment policy* (Bogota, UNICEF, 1986).
- ² In this respect see also PREALC (1988c), García and others (1989) and PREALC (1990a).
- ³ This section contains the principal conclusions of the analysis undertaken by PREALC on the transformation of the labour market during the decade (PREALC 1983, 1985, 1987, 1988a, 1988b, and 1990c) and Infante (1991a).
- ⁴ Equivalent to the proportion of the sum of underemployment (22%) and of urban unemployment (4%) in total underemployment (37%) (PREALC, 1990c). In this respect, the underemployment figure corresponds to the weight of informal and traditional employment in the total EAP.
- ⁵ The spread of poverty as defined by ECLAC/PNUD op cit. is equivalent to the percentage of the population whose income is below a specific poverty line. The latter has been estimated as the cost of the basic consumption basket per each country in the Region (absolute poverty).
- ⁶ On the concepts of social and economic deprivation, see Wilkinson (1990).
- ⁷ Estimated by using a poverty-income elasticity equivalent to 0.7 (see table 1).
- ⁸ The exception was Brazil whose product in 1986 was 14% higher than that registered in 1980. In the rest of the countries GDP in 1986 was between 3 and 8% the level of 1980.
- ⁹ The per capita insufficiency of poor sector incomes to reach the poverty line is expressed in a percentage of the latter. For each country the variation in purchasing power of labour incomes in the poor sector can be derived from the evolution of this indicator (see tables 2-6).
- ¹⁰ Between 1980 and 1986 the distributive cost of the social debt reached 3.3% of GDP in Colombia and 1.5% of GDP in Chile (see tables 3 and 5).
- ¹¹ Between 1980 and 1985 GDP grew at an average annual rate of 2.6%.
- ¹² In most selected countries the percentage of social expenditure in GDP increased during the period 1980-86 (see tables 2-6).
- ¹³ See PREALC/PNUD (1990a; 1990b) and Haindl and others (1986; 1989).
- ¹⁴ Targeted social expenditure represented an increase of poor family incomes of 34% in Colombia and 43% in Chile.
- ¹⁵ In Chile social spending directed towards the poorest 40% increased from 34% in 1987 to 38% in 1990, whereas that focused on middle income earners remained constant. As for the 20% making up the higher income group, social expenditure was cut from 32% in 1987 to 28% in 1990 (see table 5).

Figure 1
LATIN AMERICA. SELECTED COUNTRIES:
ESTIMATE OF AN INDEX OF SOCIAL DEBT
FOR URBAN SECTORS, 1980-1990.

SOURCE: Data from table 7.

**Table 1. LATIN AMERICA: ESTIMATE OF THE SOCIAL DEBT FOR
URBAN SECTORS, 1980-89
(percentages)**

COMPONENT/YEAR		1980	1986			1989		
A. SOCIAL DEBT STOCK a/		21.0			26.0			27.0
B. INCREASE IN THE SOCIAL DEBT					5.0			6.0
1. Poor working sector					4.0			5.0
1.1 Poverty spread					3.0			3.0
- Unemployed					0.0			-1.0
- Informal sector					3.0			4.0
1.2 Poverty intensity								
- Increase in poverty gap					1.0			2.0
2. Non-poor working sector								
2.1 Distributive cost of the social debt					1.0			1.0
C. BASIC DATA	Multiplier			Total	Poor		Total	Poor
1.1 Labour market and poverty b/								
Economically Active Population				0.0	6.0		0.0	6.0
- Unemployed	(0.5)			0.0	0.0		-2.0	-2.0
- Informal sector	(0.5)			7.0	6.0		12.0	8.0
* Autonomous	(0.5)			(4.0)	(3.5)		(6.0)	(4.5)
* Small enterprises	(0.5)			(3.0)	(2.5)		(6.0)	(3.5)
- Formal sector	(1.0)			-7.0	0.0		-10.0	0.0
1.2 Poverty gap a/		2.4			3.7			4.1
- Poverty spread	(0.7)	30.0			36.0			36.0
- Per capita income insufficiency	(1.7)	32.0			40.0			45.0
- Poverty line/GDP per capita		25.0			26.0			25.0
2.1 Distributive cost of the social debt a/			Actual	Equitable	Difference	Actual	Equitable	Difference
GDP		100.0	100.0	100.0		100.0	100.0	
Net remittances abroad (-)		3.0	9.0	9.0		9.0	9.0	
Gross national product (GNP)		97.0	91.0	91.0		91.0	91.0	
Non-agricultural GNP		87.0	80.0	80.0		80.0	80.0	
Income of poor sector		5.0	6.0	10.0	4.0	5.0	10.0	5.0
Income of non-poor sectors		82.0	74.0	70.0	-4.0	75.0	70.0	-5.0
- Workers		34.0	28.0	29.0	1.0	28.0	29.0	1.0
- Profit earners c/		48.0	46.0	41.0	-5.0	47.0	41.0	-6.0

Source: Estimates based on ECLAC (1991a, 1991b and 1985); ECLAC/UNDP (1990a); and on data from PREALC (1990c).

a/ Percentage of total GDP.

b/ Corresponds to changes in the distribution of the non-agricultural EAP by employment and income status.

c/ Net remittances abroad are subtracted.

**Table 2. BRAZIL: ESTIMATE OF THE SOCIAL DEBT FOR
URBAN SECTORS, 1980-89**
(percentages)

COMPONENT/YEAR		1980	1987			1989		
A. SOCIAL DEBT STOCK a/		23.8			26.8			29.5
B. INCREASE IN THE SOCIAL DEBT					3.0			5.7
1. Poor working sector					4.0			4.7
1.1 Poverty spread					2.0			3.0
- Unemployed					-1.3			-1.4
- Informal sector					3.3			4.4
1.2 Poverty intensity								
- Increase in poverty gap					2.0			1.7
2. Non-poor working sector								
2.1 Distributive cost of the social debt					-1.0			1.0
C. BASIC DATA	Multiplier			Total	Poor		Total	Poor
1.1 Labour market and poverty b/								
Economically Active Population				0.0	4.0		0.0	6.0
- Unemployed	(0.5)			-2.5	-2.5		-2.9	-2.9
- Informal sector	(0.5)			15.2	6.5		16.2	8.9
* Autonomous	(0.5)			6.0	2.5		6.1	4.3
* Small enterprises	(0.5)			9.2	4.0		10.1	4.6
- Formal sector	(1.0)			-12.7	0.0		-13.3	0.0
1.2 Poverty gap a/		3.2			4.6			5.7
- Poverty spread	(0.7)	34.0			38.0			40.0
- Per capita income insufficiency	(1.7)	32.0			43.0			46.0
- Poverty line/GDP per capita		29.0			28.0			31.0
2.1 Distributive cost of the social debt a/			Actual	Equitable	Difference	Actual	Equitable	Difference
GDP		100.0	100.0	100.0		100.0	100.0	
Net remittances abroad (-)		3.0	6.0	6.0		6.0	6.0	
Gross national product (GNP)		97.0	94.0	94.0		94.0	94.0	
Non-agricultural GNP		86.5	83.0	83.0		83.0	83.0	
Income of poor sector		7.0	7.0	11.0	4.0	7.0	11.7	4.7
Income of non-poor sectors		79.5	76.0	72.0	-4.0	76.0	71.3	-4.7
- Workers		30.0	28.0	27.0	-1.0	26.0	27.0	1.0
- Profit earners c/		49.5	48.0	45.0	-3.0	50.0	44.3	-5.7
3. Social expenditure/GDP		8.3			8.7			n.a

Source: Estimates based on ECLAC (1991a, 1991b and 1985); ECLAC/UNDP (1990a); and on data from PREALC (1990c).

a/ Percentage of total GDP.

b/ Corresponds to changes in the distribution of the non-agricultural EAP by employment and income status.

c/ Net remittances abroad are subtracted.

Note: n.a. = not available.

**Table 3. COLOMBIA: ESTIMATE OF THE SOCIAL DEBT FOR
URBAN SECTORS, 1980-89
(percentages)**

COMPONENT/YEAR		1980	1986			1989		
A. SOCIAL DEBT STOCK a/		28.0			30.1			28.0
B. INCREASE IN THE SOCIAL DEBT					2.1			0.0
1. Poor working sector					-1.2			-1.3
1.1 Poverty spread					0.0			-0.1
- Unemployed					0.0			-2.1
- Informal sector					0.0			2.0
1.2 Poverty intensity								
- Increase in poverty gap					-1.2			-1.2
2. Non-poor working sector								
2.1 Distributive cost of the social debt					3.3			1.3
C. BASIC DATA	Multiplier			Total	Poor		Total	Poor
1.1 Labour market and poverty b/								
Economically Active Population				0.0	0.0		0.0	-0.3
- Unemployed	(0.5)			4.1	0.0		-4.2	-4.2
- Informal sector	(0.5)			0.6	0.0		4.9	3.9
* Autonomous	(0.5)			0.0	0.0		-0.7	-0.6
* Small enterprises	(0.5)			0.6	0.0		5.6	4.5
- Formal sector	(1.0)			-4.7	0.0		-0.7	0.0
1.2 Poverty gap a/		5.4			4.3			4.3
- Poverty spread	(0.7)	40.0			40.0			39.7
- Per capita income insufficiency	(1.7)	52.0			45.0			45.0
- Poverty line/GDP per capita		26.0			24.0			24.0
2.1 Distributive cost of the social debt a/			Actual	Equitable	Difference	Actual	Equitable	Difference
GDP		100.0	100.0	100.0		100.0	100.0	
Net remittances abroad (-)		0.2	2.0	2.0		6.0	6.0	
Gross national product (GNP)		99.8	98.0	98.0		94.0	94.0	
Non-agricultural GNP		80.8	80.0	80.0		76.0	76.0	
Income of poor sector		5.0	5.3	4.1	-1.2	5.2	3.9	-1.3
Income of non-poor sectors		75.8	74.7	75.9	1.2	70.8	72.1	1.3
- Workers		37.0	33.7	37.0	3.3	33.8	35.1	1.3
- Profit earners c/		38.8	41.0	38.9	-2.1	37.0	37.0	0.0
3. Social expenditure/GDP		8.0			8.0			n.a.
Allocation to poor sectors		n.a.			1.7			

Source: Estimates based on ECLAC (1991a, 1991b and 1990); ECLAC/UNDP (1990a); and on data from PREALC (1990c); PREALC/UNDP (1990a) and Infante (1991b).

a/ Percentage of total GDP.

b/ Corresponds to changes in the distribution of the non-agricultural EAP by employment and income status.

c/ Net remittances abroad are subtracted.

Note: n.a. = not available.

**Table 4. COSTA RICA: ESTIMATE OF THE SOCIAL DEBT FOR
URBAN SECTORS, 1980-90
(percentages)**

COMPONENT/YEAR		1980	1988			1990		
A. SOCIAL DEBT STOCK a/		12.6			13.8			12.6
B. INCREASE IN THE SOCIAL DEBT					1.2			0.0
1. Poor working sector					4.2			2.0
1.1 Poverty spread					3.0			1.0
- Unemployed					-0.3			-0.3
- Informal sector					3.3			1.3
1.2 Poverty intensity								
- Increase in poverty gap					1.2			1.0
2. Non-poor working sector								
2.1 Distributive cost of the social debt					-3.0			-2.0
C. BASIC DATA	Multiplier			Total	Poor		Total	Poor
1.1 Labour market and poverty b/								
Economically Active Population				0.0	6.0		0.0	2.0
- Unemployed	(0.5)			-0.5	-0.5		-0.6	-0.6
- Informal sector	(0.5)			7.9	6.5		7.5	2.6
* Autonomous	(0.5)			1.8	1.5		0.9	0.5
* Small enterprises	(0.5)			6.1	5.0		6.6	2.1
- Formal sector	(1.0)			-7.4	0.0		-6.9	0.0
1.2 Poverty gap a/		1.2			2.4			1.9
- Poverty spread	(0.7)	18.0			24.0			20.0
- Per capita income insufficiency	(1.7)	26.0			35.0			37.0
- Poverty line/GDP per capita		24.0			26.0			25.0
2.1 Distributive cost of the social debt a/			Actual	Equitable	Difference	Actual	Equitable	Difference
GDP		100.0	100.0	100.0		100.0	100.0	
Net remittances abroad (-)		6.0	13.0	13.0		13.0	13.0	
Gross national product (GNP)		94.0	87.0	87.0		87.0	87.0	
Non-agricultural GNP		76.0	68.0	68.0		68.0	68.0	
Income of poor sector		3.0	4.0	8.2	4.2	3.0	5.0	2.0
Income of non-poor sectors		73.0	64.0	59.8	-4.2	65.0	63.0	-2.0
- Workers		48.0	42.0	39.0	-3.0	44.0	42.0	-2.0
- Profit earners c/		25.0	22.0	20.8	-1.2	21.0	21.0	0.0
3. Social expenditure/GDP		23.0			19.0			19.0
DESAF Programme		1.1			1.3			1.3

Source: Estimates based on ECLAC (1991a, 1991b and 1990); ECLAC/UNDP (1990a); and on data from PREALC (1990c); PREALC/UNDP (1990b).

a/ Percentage of total GDP.

b/ Corresponds to changes in the distribution of the non-agricultural EAP by employment and income status.

c/ Net remittances abroad are subtracted.

Table 5. CHILE: ESTIMATE OF THE SOCIAL DEBT FOR URBAN SECTORS, 1980-90
(percentages)

COMPONENT/YEAR		1980	1987			1990		
A. SOCIAL DEBT STOCK a/		25.2			32.5			26.4
B. INCREASE IN THE SOCIAL DEBT					7.3			1.2
1. Poor working sector					5.8			1.2
1.1 Poverty spread					2.7			0.0
- Unemployed					-0.4			-5.0
- Informal sector					3.1			5.0
1.2 Poverty intensity								
- Increase in poverty gap					3.1			1.2
2. Non-poor working sector								
2.1 Distributive cost of the social debt					1.5			0.0
C. BASIC DATA	Multiplier			Total	Poor		Total	Poor
1.1 Labour market and poverty b/								
Economically Active Population				0.0	5.5		0.0	2.0
- Unemployed	(0.5)			-0.7	-0.7		-5.1	-5.1
- Special Employed Programme (SEP)	(0.5)			0.0	0.0		-5.9	-3.0
- Informal sector	(0.5)			7.6	6.2		13.0	10.1
* Autonomous	(0.5)			-1.2	-0.6		1.0	0.8
* Small enterprises	(0.5)			8.8	6.8		12.0	9.3
- Formal sector	(1.0)			-6.9	0.0		-2.0	0.0
1.2 Poverty gap a/		2.5			4.8			3.1
- Poverty spread	(0.7)	37.0			42.5			39.0
- Per capita income insufficiency	(1.7)	25.0			40.0			32.0
- Poverty line/GDP per capita		27.0			28.0			25.0
2.1 Distributive cost of the social debt a/			Actual	Equitable	Difference	Actual	Equitable	Difference
GDP		100.0	100.0	100.0		100.0	100.0	
Net remittances abroad (-)		7.0	14.0	14.0		11.0	11.0	
Gross national product (GNP)		93.0	86.0	86.0		89.0	89.0	
Non-agricultural GNP		86.0	77.0	77.0		81.0	81.0	
Income of poor sector		7.0	7.0	12.8	5.8	7.0	8.2	1.2
Income of non-poor sectors		79.0	70.0	64.2	-5.8	74.0	72.8	-1.2
- Workers		39.0	30.0	31.5	1.5	36.0	36.0	0.0
- Profit earners c/		40.0	40.0	32.7	-7.3	38.0	36.8	-1.2
3. Social expenditure/GDP		10.0	100.0	13.2	100.0		11.6	100.0
Lower 40%		n.a.	40.0	4.4	34.0		4.4	38.0
Middle 40%			34.0	4.4	34.0		3.9	34.0
Upper 20%			26.0	4.4	32.0		3.3	28.0

Source: Estimates based on ECLAC (1991a, 1991b); ECLAC/UNDP (1990b); and on data from ECLAC (1991c); PREALC (1990c); Banco Central de Chile (1989 y 1990); Infante (1991b); and Haindl & others (1989).

a/ Percentage of total GDP.

b/ Corresponds to changes in the distribution of the non-agricultural EAP by employment and income status.

c/ Net remittances abroad are subtracted.

Note: n.a. = not available.

**Table 6. PERU: ESTIMATE OF THE SOCIAL DEBT FOR
URBAN SECTORS, 1980-90**
(percentages)

COMPONENT/YEAR		1980	1986			1990		
A. SOCIAL DEBT STOCK a/		26.7			31.7			41.0
B. INCREASE IN THE SOCIAL DEBT					5.0			14.3
1. Poor working sector					8.0			14.3
1.1 Poverty spread					7.0			8.0
- Unemployed					-0.5			1.3
- Informal sector					7.5			6.7
1.2 Poverty intensity								
- Increase in poverty gap					1.0			6.3
2. Non-poor working sector								
2.1 Distributive cost of the social debt					-3.0			-0.0
C. BASIC DATA	Multiplier			Total	Poor		Total	Poor
1.1 Labour market and poverty b/								
Economically Active Population				0.0	14.0		0.0	16.0
- Unemployed	(0.5)			-1.0	-1.0		2.5	2.5
- Informal sector	(0.5)			18.0	15.0		17.0	13.5
* Autonomous	(0.5)			9.0	9.0		7.0	7.0
* Small enterprises	(0.5)			9.0	6.0		10.0	6.5
- Formal sector	(1.0)			17.0	0.0		-19.5	0.0
1.2 Poverty gap a/		5.6			8.9			14.3
- Poverty spread	(0.7)	38.0			52.0			54.0
- Per capita income insufficiency	(1.7)	37.0			40.0			50.0
- Poverty line/GDP per capita		40.0			43.0			53.0
2.1 Distributive cost of the social debt a/			Actual	Equitable	Difference	Actual	Equitable	Difference
GDP		100.0	100.0	100.0		100.0	100.0	
Net remittances abroad (-)		4.0	8.0	7.6		5.0	5.0	
Gross national product (GNP)		96.0	92.0	92.0		95.0	95.0	
Non agricultural GNP		86.0	80.0	80.0		80.0	80.0	
Income of poor sector		10.0	13.0	21.0	8.0	14.0	28.3	14.3
Income of non-poor sectors		76.0	67.0	59.0	-8.0	66.0	51.7	-14.3
- Workers		27.0	25.0	22.0	-3.0	19.0	19.0	0.0
- Profit earners c/		49.0	42.0	37.0	-5.0	47.0	32.7	-14.3
3. Social expenditure/GDP		4.6			5.0			2.7

Source: Estimates based on ECLAC (1991a, 1991b and 1990); ECLAC/UNDP (1990a); and on data from CUANTO S.A. (1991).

a/ Percentage of total GDP.

b/ Corresponds to changes in the distribution of the non-agricultural EAP by employment and income status.

c/ Net remittances abroad are subtracted.

Table 7

**LATIN AMERICA: SELECTED COUNTRIES. ESTIMATE OF AN INDEX
OF SOCIAL DEBT FOR URBAN SECTORS, 1980-90**
(percentage of total GDP)

Region/country	1980	1986-87	1989-90
Latin America	21.0	26.0	27.0
Costa Rica	12.6	13.8	12.6
Chile	25.2	32.5	26.4
Colombia	28.0	30.1	28.0
Brazil	23.8	26.8	29.5
Peru	26.7	31.7	41.0

Source: Data from tables 1 to 6.

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