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Well-being and Social Policy

Juan Carlos Moreno-Brid
Ramón Padilla Pérez

INTRODUCTION

Sara G. Castellanos
F. Javier Morales
Mariana A. Torán

ANALYSIS OF THE USE OF FINANCIAL SERVICES
BY COMPANIES IN MEXICO: WHAT DOES THE 2009
ECONOMIC CENSUS TELL US?

Karla Meneses

MSMES IN COSTA RICA: CHRONICLE OF THEIR
POOR INTEGRATION IN TIMES OF ACCELERATED
INTERNATIONAL INTEGRATION

Juan Carlos Moreno-Brid
Ramón Padilla Pérez

BOOK REVIEW. NEW STRUCTURAL ECONOMICS
BY JUSTIN YIFU LIN



INTRODUCTION

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Micro and small-sized enterprises (MSE) have a central role in economic development in Latin America given their large contribution to employment generation, their share in the total number of firms and, to a lesser extent, their contribution to gross domestic product. Yet, their production is mainly oriented to the domestic market and they are characterized by an increasing productivity gap with large enterprises. This structural heterogeneity is one of the main reasons for profound social inequality in Latin America, since significant differences in productivity result in varied access to social benefit networks, professional development opportunities, and salaries and benefits (CEPAL 2010).

In Latin America, there has been a significant development of policies and institutions to support MSE in the last two decades, even during time periods when the State adopted a rather passive role in the promotion of productive development. The international economic and financial crisis of 2008-2009 has given new strength to industrial policy, including to those instruments oriented towards MSE, since after two decades of economic reforms, economic growth rates are still modest and productivity has had a limited contribution. It is increasingly recognized that the market by its own, far from reducing structural heterogeneity, widens productivity gaps between MSE and large enterprises.

MSE support programs and instruments that have been implemented in Latin America are quite diverse and include, among others, training; technical assistance and market information; financial services and guarantees; export promotion, internationalization and market access; backward and forward linkages, enterprise networks, association and local development; innovation and development; business incubation and entrepreneurship; supplier development, and public procurement systems.

Nevertheless, a recent study carried out by the Economic Commission for Latin America and the Caribbean (ECLAC) concludes that the outcomes of these programs and instruments are still unsatisfactory to address MSE weaknesses such as low productivity, reduced export capacity and high mortality rate (80% of them are not able to survive the first two years of operation) (Ferraro and Stumpo 2010). The same study argues the outcomes have been limited due to weak integration among goals, instruments, programs and budget allocations; scant learning trajectories within the institutions involved in policy implementation, and policy design issues. Moreover, in some cases

policies are implemented without defining clearly the aims or are based on an incomplete theoretical framework focused on market failures.

This issue of *Well-Being and Social Policy Journal* is the result of a discussion and selection process that began in early 2012. In January, the Inter-American Conference on Social Security, the Ibero American University and ECLAC published a call for papers on MSE support policies in Latin America aimed at contributing to the systematization and dissemination of evidence regarding institutions, programs and instruments oriented to providing support to this type of firms. The Editorial Committee selected six papers which were presented and discussed at a meeting held last April in Mexico City. The Committee approved two articles for their publication in this issue of the magazine.

Sara Castellanos, Javier Morales and Mariana Torán present a rich and detailed analysis of the use of financial services by firms in Mexico, based on data from the most recent economic census. Reduced access to credit is a significant barrier that MSE face in Latin America to strengthen their operations, get through unexpected events, undertake innovative projects or simply increase their working capital. This paper estimates the size of credit and deposit markets in Mexico and examines the relative importance of voluntary and involuntary rationing. The findings, which are the result of quantitative analysis, are used to draft policy recommendations aimed at increasing credit to MSE.

Karla Meneses develops a novel classification of economic activities to analyze existing structural heterogeneity between traditional economic activities and new emerging sectors. The author focuses on Costa Rica, but shares Latin America's growing concern over an economic model that has not been able to generate high long-term growth rates or reduce the profound inequalities. The paper concludes that the economic model intensifies the presence of different economic segments which have their own dynamics and large gaps among them and places traditional activities, less qualified workers and MSE at a disadvantage.

These two articles illustrate the need to undertake innovative studies which provide insights for designing and implement new and improved MSE support policies in Latin America. By the same token, recent studies conducted by ECLAC on MSE support policies in the region, mentioned above, propose a new approach based on: a) understanding the heterogeneity among enterprises that comprise this business segment, thus including targeted instruments; b) understanding that MSE are part of production clusters, and c) abandoning the horizontal approach, which has been leading approach since the 1990s.

References

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