

Chapter III

**CREATING PRODUCTIVE EMPLOYMENT AND DECENT WORK FOR ALL:
A FUNDAMENTAL GOAL OF DEVELOPMENT**

Goal	Target	Indicators
Goal 1 Eradicate extreme poverty and hunger	Target 1.B Achieve full and productive employment and decent work for all, including women and young people	1.4 Growth rate of <i>gross domestic product</i> (GDP) per person employed 1.5 Employment-to-population ratio 1.6 Proportion of employed people living below US\$ 1 (PPP) per day 1.7 Proportion of own-account and contributing family workers in total employment

A. INTRODUCTION

In the last 10 years, several studies (ECLAC 2000a, 2000b; United Nations, 2005) have noted that creating productive, decent jobs is essential for progress in poverty reduction, insofar as labour income —especially wages— is the main source of monetary resources for the region’s households.¹

Job creation, improvements in real incomes —linked to increased productivity— and the coverage and characteristics of social protection for employed people and the inactive population are central mechanisms which can translate economic growth into increased incomes and improved social well-being for households. The lack of access to quality employment is therefore a determining factor in poverty and social inequalities which are reproduced over time and reflected in the high and persistent concentration of income in the region (ECLAC, 2007a and 2007b).² These factors have led to the fundamental belief that employment is a human right which plays a pivotal role in social integration, meaningful lives and a favourable space for participation (ECLAC, 2007b). Article 23 of the Universal Declaration of Human Rights establishes the bases for the right to decent work: “Everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment.” The same articles also states that “Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.” The right to decent work is also recognized in article 6 and 7 of the International Covenant on Economic, Social and Cultural Rights, and the International Covenant on Civil and Political Rights prohibits forced labour.

It is because employment is so important that the United Nations has adopted a new target in the context of the Millennium Development Goals (target 1.B): “Achieve full and productive employment and decent work for all, including women and young people.” This target was proposed in 2006 by the Secretary-General of the United

¹ According to surveys conducted around 2006, remuneration from employment makes up an average of 79% of household incomes in Latin America and the Caribbean. Of that percentage, wages represent about two thirds, or 52% of total income (ECLAC, 2009).

² Around 2005, with the exception of Uruguay, wages and salaries accounted for between 70.5% (Panama) and 92.0% (Nicaragua) of total income inequality in the countries of Latin America and the Caribbean, measured by the Gini coefficient (Medina and Galván, 2008).

Nations, following the discussions held during the High-level Plenary Meeting of the sixtieth session of the General Assembly. It entered into force in 2008, when it was incorporated into the first Millennium Development Goal (Eradicate extreme poverty and hunger). This shows the close links between the labour market and improvements in the material aspects of people's well-being. The importance of employment as a contributor to progress towards the other Goals should also be discussed; this may result in its being considered as a development goal in itself. The Regional Inter-agency Report of 2005, coordinated by ECLAC, stated: "The shortage of jobs and their poor quality are among the region's most pressing problems. Open unemployment rose from 6.9% in 1990 to 10% in 2004, and low-productivity agricultural activities and the informal urban sector absorb over one half of the region's workforce. The Millennium Development Goals do not devote due attention to this problem, which is of prime importance to the region" (ECLAC, 2005).

Although there is as yet no quantitative target stating that employment indicators must reach certain levels by a given date, the message to the countries is clear: efforts must be focused on improving the functioning of the labour market in order to create of sufficient numbers of quality jobs, since this is the main mechanism for reducing poverty and inequality. By emphasizing the importance of employment for women and young people, target 1.B recognizes the significance of those two groups in terms of their economic and productive contribution and the disadvantages they suffer in the world of work.

The issue of employment was already present in the Goals, where it appeared as target 16, "In cooperation with developing countries, develop and implement strategies for decent and productive work for youth", which came under the eighth Goal, "Develop a global partnership for development". That target relating to youth unemployment has now been incorporated into the new employment target. This has also required a number of changes to indicators for its monitoring, proposed by the International Labour Organization (ILO) and the Inter-agency and Expert Group on Millennium Development Goal Indicators (see box III.1).³

Box III.1

INDICATORS FOR TARGET 1.B, "ACHIEVE FULL AND PRODUCTIVE EMPLOYMENT AND DECENT WORK FOR ALL, INCLUDING WOMEN AND YOUNG PEOPLE"

Official indicators:

- 1.4 Growth rate of gross domestic product (GDP) per person employed
- 1.5 Employment-to-population ratio (employment rate)
- 1.6 Proportion of employed people living below US\$ 1 (PPP) per day
- 1.7 Proportion of own-account and contributing family workers in total employment

Additional indicators:

- Rate of employment among young people aged between 15 and 24 years
- Rate of employment among young people as a percentage of adult unemployment
- Rate of employment among young people as a percentage of total unemployment
- Rate of employment among young people as a percentage of the total number of young people

Source: United Nations, Millennium Development Goals indicators [online] <http://mdgs.un.org/unsd/mdg/Data.aspx>.

This chapter will examine advances by the countries of Latin America and the Caribbean towards fulfilling the employment target, as well as the tasks and challenges still outstanding. The region as a whole has made progress on some of the indicators defined officially for monitoring target 1.B, that is, the growth rate of GDP per person employed (indicator 1.4), the employment-to-population ratio (employment rate) (indicator 1.5), the proportion of employed people living in extreme poverty (indicator 1.6) and the proportion of own-account and contributing family workers in total employment (indicator 1.7). There has also been significant progress for women and young people, but there are still definite gaps in terms of their employment integration and conditions of work.

³ Indicator 45, used to monitor former target 16, "Unemployment rate of 15- to 24-year-olds", is no longer one of the official indicators for monitoring the Goals, although the United Nations database on indicators for the Millennium Development Goals retains it as a "contextual" indicator (United Nations, n/d).

It is noteworthy that, in a number of countries in the region, the improvements were concentrated in the years of high economic growth between 2003 and 2008, and were halted towards the end of that period by the economic and financial crisis which began in 2008. There are also clear differences between countries in terms of their progress towards each of the indicators.

After reviewing trends in each of the established indicators (section B) and the employment situation of young people and women (section C), the chapter will consider certain additional indicators for the monitoring of the employment target in Latin America and the Caribbean, especially those which relate to informality and social-security coverage (section D). Lastly, it will describe a set of policies and recommendations which can contribute to the attainment of the employment target in the region (section E). The policies considered are designed to promote high and sustained levels of economic growth and productive development oriented towards closing productivity gaps—which characterize the economies of the region and prevent greater progress in working conditions—as well as policies which are important in the area of education and training, broadening the coverage of employment institutions, and strengthening the trade union movement and collective bargaining.

B. TRENDS IN INDICATORS FOR THE MONITORING OF THE EMPLOYMENT TARGET

Figure III.1 presents data for each of the four official indicators created for the monitoring of target 1.B. In addition to figures for the base year (1990) and the latest year for which information is available, generally 2008, data from 2002 are also provided to show the positive impact of the growth phase, which led to job creation and falls in unemployment which lasted until the outbreak of the crisis (see tables III.1 to III.4).

The figures for labour productivity (indicator 1.4), and all figures on Caribbean countries included in this chapter, are calculated by ILO and relate to official data contained in the United Nations database on the indicators of the Goals; on the other hand, figures on the other three indicators for the countries of Latin America have been calculated by ECLAC on the basis of household surveys. For indicator 1.6, rather than the “one dollar a day” extreme poverty line, this document uses each country’s poverty and indigence lines based on the Commission’s method of costing the shopping basket for basic food consumption needs. Two of the official indicators for the monitoring of the employment target—the employment rate and the percentage of vulnerable workers⁴— can be disaggregated by sex and age group, thereby revealing the pronounced differences in those areas that are present in the region.⁵

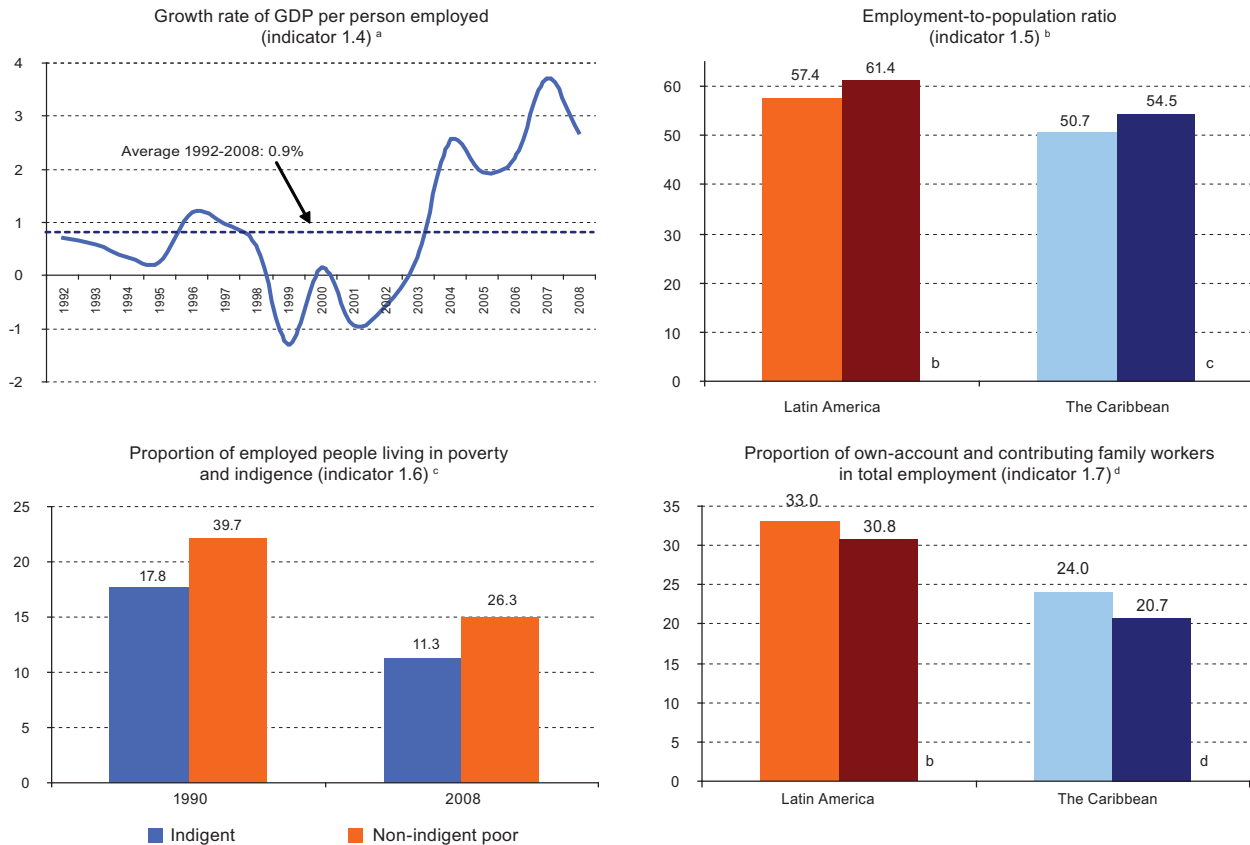
From 1992 to 2008, as can be seen in figure III.1, the growth of labour productivity was highly volatile, averaging less than one percentage point. The average was negative in 1999, 2001 and 2002, and only after 2004 did it show satisfactory growth. In 2008, the values of the other three indicators monitoring the target had improved in relation to 1990: the employment rate was higher, and poverty among employed people and the vulnerability of workers—measured as the proportion of own-account workers and unpaid family members in relation to the total of employed persons— were below their base-year levels. The global crisis which peaked in 2009 partly reversed those trends owing to its strong impact on economies and labour markets (see subsection 5).⁶ The regional picture is not very encouraging in light of certain additional indicators for monitoring the Goals in the region; there continue to be serious structural problems such as high levels of informality and the low coverage of social protection mechanisms (see section C).

⁴ Own-account workers and unpaid family workers, according to the definition of indicator 1.7.

⁵ In the case of the Caribbean countries, the United Nations database on the Millennium Development Goal indicators does not provide data disaggregated by age group.

⁶ The regional unemployment rate based on official figures from the countries—which differs from the figures calculated on the basis of multi-purpose household surveys as presented in figures III.6 and III.7— fell from 11.1% to 7.4% between 2002 and 2008, but rose to 8.3% in 2009 (ECLAC, 2009b).

Figure III.1
**LATIN AMERICA AND THE CARIBBEAN: TRENDS IN INDICATORS FOR MONITORING
 THE EMPLOYMENT TARGET, 1990-2008 AND 1992-2008**
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), Social Statistics and Indicators Database, CEPALSTAT [online] <http://websie.eclac.cl/infest/ajax/cepalstat.asp?carpeta=estadisticas>, on the basis of special tabulations of household surveys conducted in the relevant countries, and United Nations, Millennium Development Goals Indicators [online database] <http://mdgs.un.org/unsd/mdg/Data.aspx>.

^a Simple average for 26 countries.

^b Weighted average for 18 countries.

^c Simple average for 13 countries.

1. Labour productivity

Productive employment is part of the concept of decent jobs, and an essential factor for poverty reduction. Consequently, the first indicator for the monitoring of the new employment target of the Millennium Development Goals is the growth rate of GDP per person employed. This indicator can be used to determine whether, in the long term, economic conditions in a country can generate and maintain decent job opportunities with fair and equitable remuneration. It is expected that countries which are able to improve productivity will experience falling poverty, and that this correlation will be closer in countries where income distribution is less unequal because the impact of rising production would be felt much more quickly among low-income groups (ILO 2007a).

In Latin America and the Caribbean, however, low levels of growth in labour productivity since the early 1990s have slowed the fall in extreme poverty. Between 1992 and 2008, the growth of value added per employment position was 0.9%, taking a simple average of the countries of the region. This average conceals widely differing

realities, from the successful example of Chile —with annual growth of 3.5%— to Haiti, where productivity fell by an average of 3.2% per year. Having barely grown until 2002, the region’s productivity rose by 2.2% per year in 2003-2008, well below the rates in developed countries (see table III.1 and figure III.2).

Table III.1
**LATIN AMERICA AND THE CARIBBEAN (26 COUNTRIES): GROWTH RATE OF GDP PER PERSON
 EMPLOYED (MILLENNIUM DEVELOPMENT GOAL INDICATOR 1.4), 1992-2008**
(Percentages)

Country	1992-1997	1998-2002	2003-2008	1992-2008
Argentina	3.5	-4.7	6.0	2.0
Bahamas	-0.6	1.0	0.0	0.1
Barbados	-0.9	-1.1	1.9	0.0
Belize	-1.2	2.0	0.9	0.5
Bolivia (Plurinational State of)	0.1	-0.1	1.1	0.4
Brazil	-0.5	-1.0	1.8	0.2
Chile	5.8	1.6	2.7	3.5
Colombia	0.9	-2.9	1.7	0.1
Costa Rica	1.8	1.2	3.0	2.0
Dominican Republic	1.4	1.9	4.1	2.5
Ecuador	-1.4	-1.1	2.3	0.0
El Salvador	3.5	-0.2	1.0	1.5
Guatemala	3.9	-1.3	-1.1	0.6
Guyana	5.1	-0.1	1.6	2.3
Haiti	-6.1	-1.6	-1.7	-3.2
Honduras	-0.4	1.0	4.0	1.6
Jamaica	1.7	0.6	0.1	0.8
Mexico	-0.6	1.3	1.5	0.7
Nicaragua	0.8	0.3	-0.2	0.3
Panama	0.6	0.7	4.2	1.9
Paraguay	-1.2	-2.9	0.3	-1.2
Peru	2.4	-1.3	4.0	1.9
Suriname	-0.3	0.4	4.3	1.5
Trinidad and Tobago	-2.4	3.0	5.7	2.0
Uruguay	3.0	-3.6	6.9	2.4
Venezuela (Bolivarian Republic of)	-1.2	-4.1	2.5	-0.7
Latin America and the Caribbean ^a	0.7	-0.4	2.2	0.9

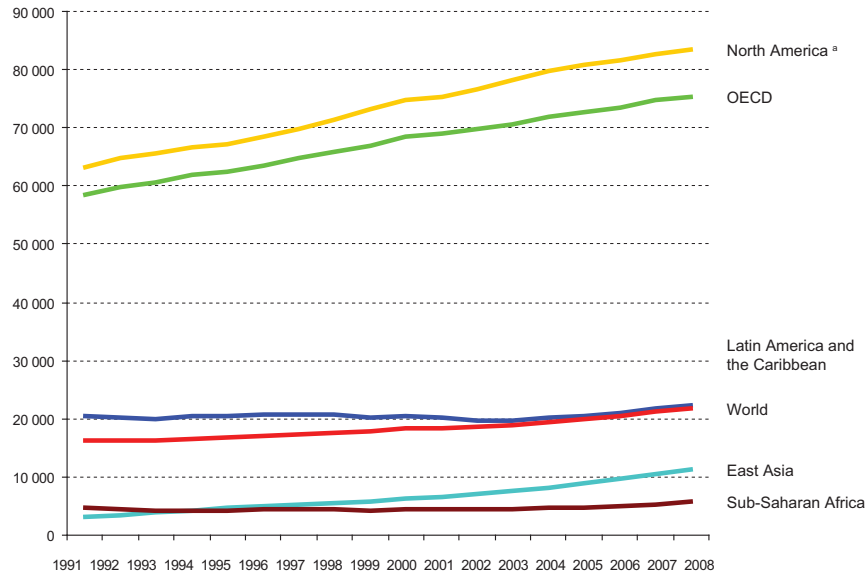
Source: Economic Commission for Latin America and the Caribbean (ECLAC), Social Statistics and Indicators Database. CEPALSTAT [online] <http://websie.eclac.cl/infest/ajax/cepalstat.asp?carpeta=estadisticas>, on the basis of United Nations, Millennium Development Goals Indicators [online database] <http://mdgs.un.org/unsd/mdg/Data.aspx>.

^a Simple average.

Figures for the world’s various regions show that in 1991, productivity in Latin America and the Caribbean —with GDP per person employed standing at about US\$ 20,500 in purchasing power parity (PPP)— was above the world average, but far behind that of the developed countries. One and a half decades later, owing to low levels of growth in labour productivity, the region —with GDP per person employed of US\$ 22,300 PPA— is close to the worldwide average (US\$ 21,700 PPA), and East Asia —the developing region that has been most successful in reducing extreme poverty— is approaching that average (see figure III.2).⁷

⁷ These data refer to the trend in labour productivity for the region as a whole (weighted average), measured in dollars (PPP). This is why the annual productivity growth figure, 0.5%, differs from the 0.9% rate mentioned above as a simple average.

Figure III.2
GDP PER PERSON EMPLOYED AGED 15 OR OVER, 1991-2008
(PPP dollars at 2005 prices)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Labour Organizations (ILO), Key Indicators of the Labour Market (KILM) and World Bank series on GDP.

^a Includes Canada and the United States.

ECLAC (2007c) has identified a number of factors related to the structure of the labour force which may explain the differing growth rates of GDP per person employed between Asia and Latin America. In the case of Asia, technological change and the greater role of manufacturing explain the increases in productivity. A middle class has become established with enough purchasing power to boost the internal services market, and this has also increased labour productivity. In Latin America, on the other hand, the share of manufacturing in total value added fell prematurely (ECLAC 2008b) and, since the early 1990s, a large proportion of new jobs have been created in commerce and the services sector, where many are low-quality informal or own-account positions.⁸

2. Employment rate

Increases in productivity are more closely linked to poverty reduction when they are accompanied by job creation.⁹ The second indicator for the monitoring of target 1.B is, therefore, the employment rate, or employment-to-population ratio, defined as the proportion of the working-age population that is employed. This measurement covers both labour-market participation and the capacity of an economy to absorb the labour force. A high ratio means that a large proportion of a country's working-age population is employed, whereas a low ratio shows that much of the population is unemployed or completely outside the workforce.

In countries with high unemployment rates or where the phenomenon of discouragement (where people have given up looking for work) is widespread, it is desirable that the rate of employment should rise. An increase in that rate which reflects a social and cultural change towards increased labour-market participation by women is a

⁸ In the 1990s, 27% of new jobs in Latin America were created in the commerce sector and 43% in services. The latter were broken down as follows: financial and business services 13%; social 19%; personal 5%, and domestic 6% (ECLAC 2004b).

⁹ It can happen that GDP per employed person, the indicator used to measure productivity, rises because of a fall in its denominator (the number of employed people in a country).

fundamentally positive trend.¹⁰ Very high employment rates can, however, reflect situations where there are large numbers of low-quality jobs, as occurs in the poorest countries. In terms of absolute values, therefore, there is no “correct” or desirable value for the employment-to-population ratio; for example, there is no clear correlation between a country’s level of per capita GDP and its employment rate. An upward trend in this indicator does not necessarily go with a fall in poverty.¹¹ In any case, employment rates in both Latin America and the Caribbean rose by four percentage points between 1990 and 2008, mostly because more women entered the labour markets and found jobs. This was one of the factors which led to increased household incomes and reduced poverty, particularly in 2003-2008 (ECLAC, 2010a).

As table III.2 shows, employment rates are systematically higher for males than females, and for the average of the active population than for young people. Since 1990, however, employment rates in Latin America have fallen by 2.5 percentage points for males and risen by 10 points for females, owing to the growing numbers of women entering the labour market. The Caribbean countries have seen a slight increase in the employment rate for males. As in Latin America, however, the increase was greater among females.

Table III.2
LATIN AMERICA AND THE CARIBBEAN (18 COUNTRIES): EMPLOYMENT-TO-POPULATION RATIO
(MILLENNIUM DEVELOPMENT GOAL INDICATOR 1.5), AROUND 1990, 2002 AND 2008
(Percentages)

(a) Latin America

Country	Both sexes (aged 15 and over)			Women (aged 15 and over)			Men (aged 15 and over)			Men (aged 15 and over)		
	1990	2002	2008	1990	2002	2008	1990	2002	2008	1990	2002	2008
Argentina ^a	52.5	49.0	57.0	35.8	38.4	45.2	71.4	61.2	71.1	53.4	40.8	49.5
Bolivia (Plurinational State of) ^b	53.5	61.5	58.7	42.4	52.7	48.5	66.2	71.8	70.1	42.0	47.7	41.7
Brazil	61.1	60.8	63.7	42.6	47.7	52.1	81.0	74.9	76.3	62.6	56.8	60.9
Chile	47.7	50.1	53.1	29.4	35.1	39.2	67.9	66.3	68.3	41.9	38.3	40.8
Colombia	58.6	56.2	56.9	38.8	43.0	43.1	80.9	71.1	71.7	53.1	48.2	47.0
Costa Rica	54.7	55.9	57.9	30.7	38.0	41.8	79.2	74.9	75.0	54.5	49.8	52.2
Dominican Republic	52.9	53.3	54.5	31.0	35.4	37.1	76.0	71.5	72.7	46.3	43.7	45.4
Ecuador ^c	57.1	60.6	61.1	39.2	45.8	48.2	76.6	75.9	75.4	46.4	49.1	48.4
El Salvador	55.8	56.1	55.5	39.4	42.2	42.4	75.1	72.6	70.8	49.1	49.8	49.1
Guatemala	56.5	66.5	64.9	27.5	46.8	46.3	88.4	88.1	87.0	53.7	63.9	60.4
Honduras	56.1	57.8	58.0	30.6	35.9	38.4	83.9	82.0	80.6	50.8	52.5	50.9
Mexico	52.1	59.2	59.4	28.8	41.9	43.6	77.3	78.4	76.8	47.2	51.8	52.3
Nicaragua	49.6	58.3	60.4	32.7	40.2	41.5	67.9	77.6	80.7	42.7	52.3	54.7
Panama	48.1	54.1	60.3	29.6	36.7	43.6	67.2	71.6	78.0	39.8	44.2	52.0
Paraguay ^d	61.4	59.9	63.8	46.4	50.4	51.9	79.0	71.7	76.7	56.7	52.8	57.4
Peru	67.9	64.5	71.3	56.7	54.8	62.5	79.9	74.6	80.7	60.1	55.4	62.1
Uruguay ^e	52.6	50.2	58.8	38.9	39.6	49.1	69.2	62.4	69.9	52.3	45.1	52.5
Venezuela (Bolivarian Republic of)	51.6	58.0	60.8	32.3	44.4	46.9	71.3	71.6	74.8	41.6	47.5	49.2
Latin America ^e	57.4	59.0	61.4	38.1	44.7	48.1	78.3	74.6	75.8	54.3	52.6	54.9
Latin America ^f	55.0	57.3	59.8	36.3	42.7	45.6	75.5	73.2	75.4	49.7	49.4	51.5

¹⁰ Particularly when it is accompanied by changes in employment legislation which make it easier to reconcile household tasks and work performed in the labour market and which facilitate the performance of those tasks by both spouses.

¹¹ This is the case when that increase in the employment rate benefits households in the medium and high income strata. In fact, part of the increase in the employment rate results from increased numbers of women entering into employment, particularly women who have attained relatively higher levels of education, bringing a proportionally greater benefit to households which are not in poverty (see chapter V).

Table III.2 (conclusion)

(b) The Caribbean

Country	Both sexes (aged 15 and over)			Women (aged 15 and over)			Men (aged 15 and over)		
	1990	2002	2008	1990	2002	2008	1990	2002	2008
Netherlands Antilles	49.0	50.9	53.5	38.8	44.5	47.1	60.6	58.5	61.1
Bahamas	63.0	65.6	66.6	56.5	59.6	60.7	69.7	71.9	72.8
Barbados	56.9	64.6	66.9	48.8	57.9	60.3	66.0	71.9	74.2
Belize	47.6	55.6	56.8	20.2	35.4	38.8	74.1	75.5	74.5
Cuba	53.0	55.7	56.0	35.2	42.1	43.7	70.8	69.4	68.3
Guadalupe	44.5	45.1	43.1	36.6	39.6	38.3	53.0	51.2	48.4
Guyana	51.7	55.6	58.9	30.9	39.4	41.8	74.7	72.8	74.4
Haiti	56.0	54.8	55.9	39.5	35.2	35.4	73.6	75.7	77.5
Jamaica	61.5	56.5	58.2	51.4	46.2	47.5	72.4	67.4	69.5
Martinique	46.2	45.5	42.5	39.9	40.9	38.2	53.3	50.7	47.5
Puerto Rico	38.1	41.3	42.4	26.9	32.6	34.6	50.5	51.0	51.2
Suriname	44.6	43.5	44.7	29.8	28.9	30.4	59.9	58.5	59.4
Trinidad and Tobago	45.0	55.2	61.5	34.3	41.7	50.5	56.1	69.4	73.0
The Caribbean ^f	50.7	53.3	54.5	37.5	41.6	43.4	64.5	65.5	65.9

Source: Economic Commission for Latin America and the Caribbean (ECLAC), Social Statistics and Indicators Database, CEPALSTAT [online] <http://websie.eclac.cl/infest/ajax/cepalstat.asp?carpeta=estadisticas>, on the basis of special tabulations of household surveys conducted in the relevant countries, and United Nations, Millennium Development Goals Indicators [online database] <http://mdgs.un.org/unsd/mdg/Data.aspx>.

^a Greater Buenos Aires.

^b Eight main cities and El Alto.

^c Urban areas.

^d Asunción and the Central Department.

^e Weighted average.

^f Simple average.

Among young people in Latin America, the percentage of employed persons increased very slightly between 1990 and 2008, owing to two conflicting trends: lower numbers of employed persons among males and higher employment rates among young women. The decrease among young men is not necessarily a cause for concern. It may be because they are staying longer in the education system, and rising employment among young women reflects a long-term trend whereby fewer young women are devoting themselves to household tasks (see section C).

3. Poor and indigent workers

The proportion of employed people living on less than one dollar a day (PPP) has been used in order to provide information on a key aspect of the lack of decent jobs worldwide.¹² The idea is that, when workers do not even earn enough to escape from extreme poverty with their families, they can hardly be said to be in “decent jobs” (ILO, 2007a). Being a poor or indigent worker does not necessarily mean earning low wages; a worker with a good income can still be below the poverty or indigence line if his or her household includes a large number of dependants (IDB, 2007). Conversely, if a worker lives in a household whose per capita income is over a dollar a day, that does not necessarily mean that he receives decent wages; his low income may be complemented by that of a spouse or other members of the household, or by non-employment income such as remittances or State transfers.

¹² Since August 2008, the “US\$ 1 a day” line of the World Bank corresponds to US\$ 1.25 PPP at 2005 prices.

The indicator used for monitoring the new employment target worldwide is calculated by ILO as the weighted average of (i) the product of the incidence of extreme poverty (measured by the World Bank according to the US\$ 1.25 per day line (PPP)) and the population aged 15 and over, and (ii) the product of the incidence of extreme poverty and the workforce aged 15 and over.¹³ In Latin America and the Caribbean, the percentage of workers living on less than US\$ 1.25 per day, as calculated by this method, fell by just over six percentage points from 12.7% in 1991 to 6.4% in 2008. In East Asia, on the other hand, where 69.5% of workers lived in indigence in 1991, the proportion of the employed population earning less than a dollar a day was successfully cut by 60 percentage points, so that in that region the proportion of workers in extreme poverty (9.3%) is only slightly higher than the percentage for Latin America and the Caribbean (United Nations, 2009).

In accordance with the method traditionally used by ECLAC in the *Social Panorama of Latin America*—where different lines are used for each country, obtained on the basis of a common methodology, instead of lines between one and two dollars a day— table III.3 presents data on indigence and poverty among employed people.¹⁴ This shows that the current functioning of the region's labour market prevents broad segments of the working population from escaping from poverty. In Latin America between 7% (Chile) and 60% (Honduras) of employed people live in poverty, and between 1% (Chile) and 40% (Honduras) in extreme poverty. In the Caribbean, according to data from ILO and the World Bank, the percentage of workers living on less than US\$ 1.25 a day varies from 0.2% (Jamaica) to 54.9% (Haiti).

The trend in Latin America has been positive since 1990, however, with the percentage of poor employed persons dropping from 39.9% to 26.3% in 2008 and that of employed persons in extreme poverty down from 17.8% to 11.3%. Following the regional trend, the percentage of poor workers declined in most of the countries in 1990-2008; in Brazil it fell by 21 percentage points, and in Chile by 19 points. The exceptions were Paraguay, where poverty among employed people rose by six percentage points, and urban areas in Argentina and rural areas in Colombia, where it increased slightly. The figures on poor and indigent workers show that the situation is worse in rural than in urban areas (see figures III.3 and III.4).¹⁵

¹³ This method of calculation represents an approximation, obtained by averaging the estimate of (i) an upper limit, and (ii) a lower limit of the true percentage of employed people in extreme poverty. The estimate of the lower limit is based on the assumption that all poor people aged 15 and over who are members of the economically active population are employed (ILO, 2009). This estimate has certain methodological deficiencies. First, in the measurement of poverty by income, the assumption that all economically active poor people are working is not valid, since the reverse is frequently true; indeed, unemployment is one of the main factors which brings per capita household income down below the poverty line, so that rates of poverty among unemployed people tend to be high. Second, the true percentage of employed people in extreme poverty is very probably below the aforementioned lower limit given that, as ECLAC studies show, the rate of extreme poverty among employed people is below the overall rate (see, for example, ECLAC, 2010a).

¹⁴ Unlike the methodology used by ILO in calculating the official indicator, in this case, indigence and poverty among employed people are calculated directly from household survey microdata. They are also, however, determined for the household according to its members' per capita income. Thus, a worker's situation of indigence depends not only on his or her employment income (wages, in particular), but also on the number of members of the household and how many of them are contributing income to the family group.

¹⁵ The only exception is Chile. In that country, in 2006, poverty among employed persons in urban areas was 0.9 percentage points higher than poverty among those in rural areas.

Table III.3
**LATIN AMERICA (18 COUNTRIES): PROPORTION OF THE EMPLOYED POPULATION LIVING IN
 INDIGENCE (MILLENNIUM DEVELOPMENT GOAL INDICATOR 1.6) AND IN POVERTY, NATIONWIDE,
 URBAN AND RURAL TOTALS, AROUND 1990, 2002 AND 2008**
(Percentages)

Country	Indigence (nationwide)			Indigence (urban areas)			Indigence (rural areas)			Poverty (nationwide)			Poverty (urban areas)			Poverty (rural areas)		
	1990	2002	2008	1990	2002	2008	1990	2002	2008	1990	2002	2008	1990	2002	2008	1990	2002	2008
Argentina ^a	...	...	...	1.6 ^a	10.5 ^a	3.2 ^a	...	...	...	...	...	...	9.9 ^a	27.3 ^a	10.5 ^a	...	...	...
Bolivia (Plurinational State of) ^b	...	33.8	30.7	12.1 ^b	13.7 ^b	11.8 ^b	...	60.1	58.0	...	56.7	50.1	39.2 ^b	39.7 ^b	34.3 ^b	...	76.7	72.9
Brazil	15.8	8.0	3.9	9.8	5.0	2.2	36.6	21.4	12.2	38.0	27.6	17.3	31.1	23.5	14.1	62.2	46.1	32.7
Chile	6.5	2.4	1.2	6.2	2.0	1.2	7.9	4.9	1.4	26.0	11.9	7.3	25.3	15.6	7.4	26.1	11.4	6.5
Colombia	18.7	15.8	13.3	12.0	14.9	9.3	28.1	17.9	27.4	45.8	39.8	30.0	41.1	39.5	23.6	52.2	40.4	53.0
Costa Rica	4.5	3.4	1.9	2.4	1.9	1.5	6.2	5.8	2.7	15.6	10.9	8.4	14.5	8.8	8.2	16.5	14.2	8.6
Dominican Republic	...	8.4	10.7	...	6.4	8.8	...	12.5	15.1	...	29.0	29.3	...	26.7	27.4	...	33.8	33.3
Ecuador	...	16.0	12.1	16.9	12.2	8.5	...	24.0	19.2	...	42.0	32.4	50.4	38.1	28.5	...	51.0	40.2
El Salvador	13.4	14.5	11.9	8.7	8.8	8.4	20.6	24.3	18.4	41.1	37.4	36.2	34.0	29.1	30.9	52.1	51.8	45.7
Guatemala	30.4	19.7	20.2	16.3	10.0	9.7	40.1	26.4	32.3	57.6	47.6	44.0	41.1	33.1	33.0	68.8	57.6	56.8
Honduras	49.6	45.3	37.0	31.5	27.7	18.1	64.2	62.6	54.9	71.9	69.5	60.0	59.0	57.7	46.5	82.4	81.0	72.8
Mexico	12.9	8.7	7.1	8.1	4.4	3.8	21.7	16.3	13.8	38.5	31.2	25.6	33.0	24.5	21.0	48.4	43.0	34.7
Nicaragua	34.4	31.2	24.5	22.9	22.1	14.9	50.0	45.2	37.8	61.2	59.5	53.1	51.7	53.3	45.8	74.0	68.9	63.1
Panama	11.4	12.1	8.0	4.6	3.6	1.6	19.8	27.3	20.9	30.3	25.8	17.5	18.1	15.1	8.3	45.7	44.9	35.9
Paraguay	...	24.9	22.5	6.8 ^c	4.7 ^c	11.2 ^c	...	42.6	35.3	...	50.3	48.0	32.0 ^c	31.6 ^c	37.6 ^c	...	65.0	57.6
Peru	19.5	21.6	10.8	5.9	7.6	2.4	45.2	45.6	25.6	38.9	49.8	30.3	24.6	36.0	19.8	65.9	73.6	55.2
Uruguay	...	...	1.5	1.7	1.3	1.6	...	...	1.0	...	...	8.2	11.3	10.0	8.5	...	...	5.1
Venezuela (Bolivarian Republic of)	5.4	11.5	4.3	4.4	...	...	11.3	...	...	22.9	34.1	16.1	21.7	...	...	30.2	...	...
Latin America ^d	17.8	14.9	11.3	10.5	9.1	5.9	35.3	28.3	23.2	39.9	35.6	26.3	33.1	28.6	19.7	58.7	51.1	43.6

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household surveys conducted in the respective countries.

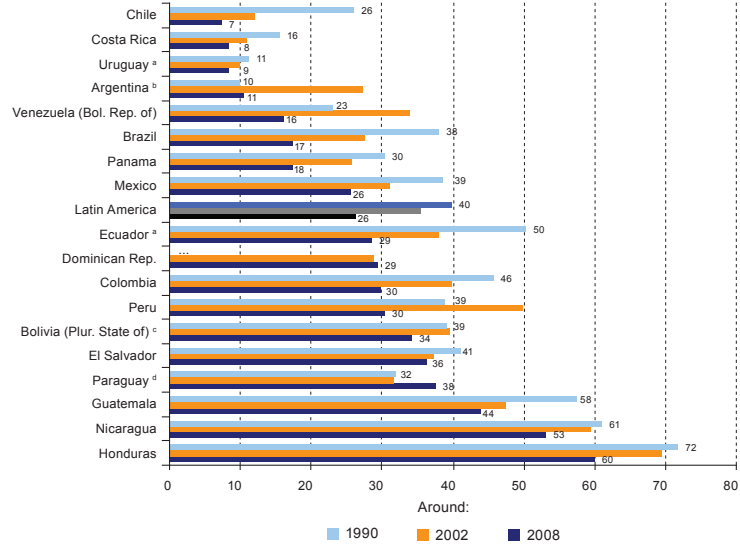
^a Greater Buenos Aires.

^b Eight major cities and El Alto.

^c Asunción and Central Department.

^d Weighted average.

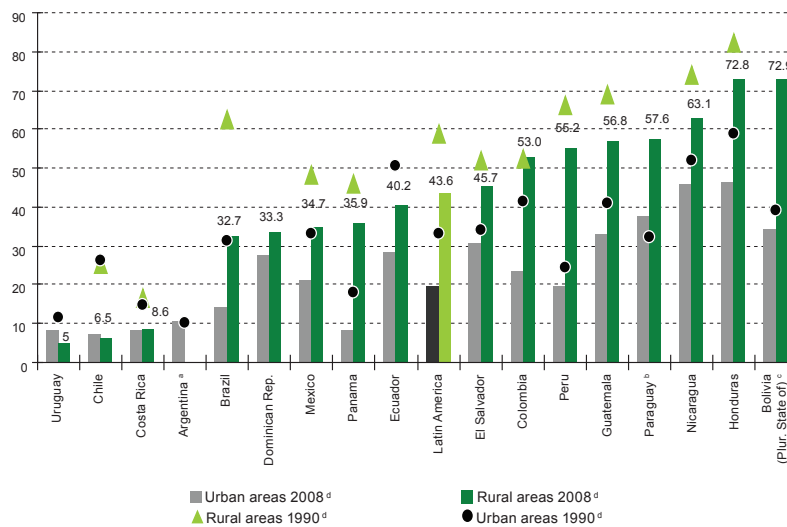
Figure III.3
LATIN AMERICA (16 COUNTRIES): POVERTY AMONG THE EMPLOYED, AROUND 1990, 2002 AND 2008
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household surveys conducted in the respective countries.

- ^a Urban areas.
- ^b Greater Buenos Aires.
- ^c Eight main cities and El Alto.
- ^d Asunción and the Central Department.

Figure III.4
LATIN AMERICA (13 COUNTRIES): POVERTY AMONG THE EMPLOYED, URBAN AND RURAL AREAS, AROUND 1990 AND 2008
(Percentages of all poor workers)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household surveys conducted in the respective countries.

- ^a Greater Buenos Aires.
- ^b Asunción and the Central Department.
- ^c Eight main cities and El Alto.
- ^d Approximate time period.

4. Vulnerable workers

The proportion of own-account workers and unpaid family workers among the total number of employed people can be used to identify persons in situations of vulnerable employment, since those categories of workers are less likely to have access to social protection and they generally have low incomes. The link with poverty arises because many independent or own-account workers have no social protection or security network to protect them during periods of low labour demand; they are often unable to accumulate enough savings to cope with such situations (ILO 2007a).¹⁶ It also emerges that jobs of these types may be connected to defects in the functioning of the labour market, mainly in respect of the creation of waged jobs. Thus, the labour integration problems are due to deficiencies in productive systems having to do with their structural diversity (Infante, 2008; see section E, item 2).

In Latin America, the percentage of vulnerable workers fell from 33.0% in 1990 to 30.8% in 2008; this followed an increase between 1990 and 2002 —when it rose to 35.0%— and a subsequent decline. Among employed young people, the proportion of own-account workers and unpaid family workers is 22%. Vulnerable jobs have diminished among both males and females. The percentage of females who are own-account workers or unpaid family workers in the region as a whole is 3.5 percentage points higher than for males, although there are countries such as Ecuador, El Salvador, Guatemala, Paraguay, Peru and the Plurinational State of Bolivia where the difference is more than 10 points. In the Caribbean, available data show that there has been a decline in the percentage of vulnerable workers. With the exception of Jamaica, the national percentages are lower than the average for Latin America (see table III.4).

From the gender equity viewpoint, a fundamental factor of vulnerability for female workers is not having their own incomes. This is not only the case for women working unpaid in family businesses —a phenomenon included in indicator 1.7 relating to the Millennium Development Goals target on employment— but it mainly affects the very large number of women who do unpaid work in the home, caring for children and older persons and performing domestic tasks. Around 2005, between 40% (urban areas) and 53% (rural areas) of women aged 15 and over had no incomes of their own (United Nations, 2007). Chapter V contains further information in this regard.

National averages of vulnerable workers conceal large geographical differences. In rural areas in Latin American countries —where the percentage of own-account workers and unpaid family workers generally exceeds 50% of employed persons— this phenomenon is much more widespread than in urban areas, where the percentage of vulnerable workers is around 30%.

The phenomenon of rural-urban migration can be seen as another obstacle to the goal of promoting decent work for all. This is because a large proportion of migrants have insufficient schooling and do not benefit from a social network which could offer them access to quality employment. They are trapped in informal or low-productivity jobs and excluded from social protection systems. As a result, there are pockets of poor people in settlements on the periphery of towns, with little access to public infrastructure and services, and highly vulnerable.

¹⁶ Table 17 of the Statistical Appendix of the *Social Panorama of Latin America 2009* shows the various categories of employment in greater detail. It can be seen that, if workers with professional or technical qualifications are subtracted from the numbers of own-account workers and unpaid family workers in the various countries of the region, the percentage of vulnerable workers falls by an average of two percentage points.

Table III.4
LATIN AMERICA AND THE CARIBBEAN (18 COUNTRIES): PROPORTION OF THE EMPLOYED POPULATION WHO ARE OWN-ACCOUNT WORKERS OR WORKING IN FAMILY BUSINESSES (MILLENNIUM DEVELOPMENT GOAL INDICATOR 1.7) BY SEX, AROUND 1990, 2002 AND 2008
(Percentages of total employment)

(a) Latin America

Country	Both sexes (aged 15 and over)			Females (aged 15 and over)			Males (aged 15 and over)			Young people (aged 15 to 29)		
	1990	2002	2008	1990	2002	2008	1990	2002	2008	1990	2002	2008
Argentina ^a	25.6	22.3	19.3	27.0	16.1	16.7	24.8	26.8	21.3	15.9	15.0	10.3
Bolivia (Plurinational State of) ^b	43.7	46.0	36.0	54.1	57.7	44.1	36.0	36.1	29.8	34.2	36.1	24.5
Brazil	28.9	32.7	29.1	30.0	31.9	28.6	28.3	33.2	29.4	22.0	24.4	19.7
Chile	24.5	21.1	21.3	20.7	19.4	20.9	26.3	22.0	21.5	17.2	13.3	11.8
Colombia	44.6	44.9	45.6	35.2	44.6	45.6	49.7	45.2	45.6	36.8	36.6	37.8
Costa Rica	24.3	23.6	19.5	20.4	24.5	20.2	25.8	23.1	19.1	17.0	15.7	10.7
Dominican Republic	41.7	43.5	43.8	32.2	30.0	31.2	45.8	50.3	50.6	34.9	35.6	39.7
Ecuador ^c	35.6	34.2	33.8	40.5	40.1	41.1	32.9	30.6	28.7	27.8	23.9	23.2
El Salvador	36.2	37.3	35.3	45.8	45.5	45.0	30.2	31.6	28.6	25.5	29.4	25.8
Guatemala	48.0	45.3	44.5	47.1	56.8	54.9	48.3	38.5	38.0	42.5	40.0	37.0
Honduras	49.6	49.3	48.9	50.4	49.2	51.5	49.3	49.3	47.4	41.6	39.6	34.6
Mexico	29.4	29.6	22.6	30.8	35.8	28.2	28.8	26.0	19.1	21.7	21.3	15.0
Nicaragua	46.5	42.2	44.9	44.8	48.4	49.4	47.4	38.7	42.4	39.8	37.4	38.6
Panama	33.8	34.7	30.7	15.9	26.0	28.6	41.9	33.5	32.0	33.4	31.6	25.1
Paraguay ^d	22.9	26.8	26.4	30.8	30.9	32.8	17.4	23.3	21.8	12.1	16.4	16.2
Peru	52.4	53.6	51.4	62.5	63.1	59.6	44.6	46.4	44.6	44.5	44.9	41.3
Uruguay ^e	20.1	25.8	24.9	21.8	20.8	23.7	18.9	29.5	25.7	12.9	19.5	15.3
Venezuela (Bolivarian Republic of)	25.7	39.3	37.5	22.1	42.2	37.1	27.4	37.5	37.7	19.2	33.9	29.7
Latin America ^e	33.0	35.0	30.8	34.1	37.0	32.9	32.5	33.6	29.4	25.7	27.2	22.0
Latin America ^f	35.2	36.2	34.3	35.1	37.9	36.9	34.7	34.9	32.5	27.7	28.6	25.5

(b) The Caribbean

Country	Both sexes (aged 15 and over)			Females (aged 15 and over)			Males (aged 15 and over)		
	1990	2002	2008	1990	2002	2008	1990	2002	2008
Anguilla	...	7.6	...	...	4.6	...	...	10.0	...
Antigua and Barbuda	14.6	...	...	13.7	...	...	15.4	...	...
Netherlands Antilles	8.1	12.0	11.2	6.7	4.0	...	9.1	8.4	...
Aruba	3.9	...	...	2.2	...	...	5.1	...	...
Barbados	11.7	13.7	...	8.6	9.0	...	14.4	17.7	...
Belize	...	...	23.5	...	...	21.5	...	...	24.6
Dominica	29.1	25.9	...	23.2	20.5	...	32.2	29.4	...
Jamaica	42.3	35.8	35.4	37.4	29.9	31.4	46	40.1	38.4
Montserrat	12.6	...	...	9.4	...	...	14.8	...	...
Saint Kitts and Nevis	12.1	8.5	...	11.9	6.8	...	12.4	9.7	...
Saint Vincent and the Grenadines	20.2	...	...	17.3	...	...	21.8	...	...
Saint Lucia	23.5	28.7	...	21.1	25.3	...	25.4	31.5	...
Suriname	15.6	...	...	...	...	...	...	...	...
Trinidad and Tobago	21.7	16.8	15.6	20.8	14.3	13.2	22.1	18.4	17.3
The Caribbean ^f	24.0	21.5	20.7	...	...	...	...	...	...

Source: Economic Commission for Latin America and the Caribbean (ECLAC), Social Statistics and Indicators Database, CEPALSTAT [online] <http://websie.eclac.cl/infest/ajax/cepalstat.asp?carpeta=estadisticas>, on the basis of United Nations, Millennium Development Goals Indicators [online database] <http://mdgs.un.org/unsd/mdg/Data.aspx>.

^a Greater Buenos Aires.

^b Eight major cities and El Alto.

^c Asunción and Central Department.

^d Urban areas.

^e Weighted average.

^f Simple average.

5. The impact of the global crisis

Following six years of relatively strong economic growth which offered a favourable environment for progress in improving the employment indicators, the economies and labour markets of Latin America and the Caribbean were hit hard by the world crisis of late 2008 and early 2009. Falls in GDP,¹⁷ in particular, held back demand for employment; it is estimated that the region's unemployment rate rose to about 8.3%, and that there was a fall in the quality of jobs being created (ECLAC, 2009b). Thus, the countries' official figures for 2009 show deterioration in at least three of the indicators used in monitoring target 1.B, although the worsening recorded in those indicators did not completely reverse the progress of previous years.¹⁸ It is hard to say how much time will be needed to recover pre-crisis levels or how the indicators will behave in the coming five years, leading up to the 2015 deadline for fulfilling the Goals.

In 12 of the 17 countries for which information is available, GDP growth per person employed (indicator 1.4) was negative, reflecting falls in output which were steeper than the fall in the employment rate (Barbados, Chile, Costa Rica and Jamaica), increases in the number of employed people higher than the modest economic growth rate (Colombia, Cuba, Peru) or an increase in the number of employed persons when GDP was falling (Bolivarian Republic of Venezuela, Brazil, Honduras and Mexico) (see table III.5).

Table III.5
LATIN AMERICA AND THE CARIBBEAN (17 COUNTRIES): GROWTH RATES OF THE NUMBER OF EMPLOYED PERSONS, OF GDP AND OF GDP PER PERSON EMPLOYED, 2009
(Percentages)

Country	Persons employed	GDP	GDP per person employed
Argentina	0.5	0.9	0.4
Bahamas	-9.8	-3.9	6.5
Barbados ^a	-3.1	-3.6	-0.4
Brazil	0.7	-0.2	-0.9
Chile	-0.7	-1.5	-0.8
Colombia	5.6	0.4	-4.9
Costa Rica	-0.1	-1.2	-1.1
Cuba	2.5	1.4	-1.1
Dominican Republic	-1.7	3.5	5.3
Ecuador	1.7	0.4	-1.3
Honduras	8.1	-2.1	-9.4
Jamaica ^a	-2.4	-3.0	-0.6
Mexico	0.4	-6.5	-6.9
Panama	1.3	2.4	1.1
Peru	2.3	0.9	-1.4
Trinidad and Tobago ^a	-0.6	-0.5	0.1
Venezuela (Bolivarian Republic of)	2.1	-3.3	-5.3
Latin America and the Caribbean ^b	0.4	-0.9	-1.2
Latin America and the Caribbean ^c	0.7	-1.9	-2.6

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from the respective countries.

^a For employed persons, the first three quarters of each of the two years are taken into account.

^b Simple average.

^c Weighted average.

¹⁷ In 2009, regional GDP fell by 1.8% and per capita GDP by around 2.9% (ECLAC, 2009b).

¹⁸ The information presented in this section corresponds to data published by each country's national statistical institute and is not comparable with the household survey data contained in previous sections. The data are also not strictly comparable between countries, since there may be differences in demographic growth, the numbers of employed people, geographical coverage and the definition of the age range of the working-age population. Official information from the countries is not available for indicator 1.6 (Proportion of employed people living below US\$ 1 per day).

In five countries, the trend of earlier years in terms of rising GDP per employed person continued because employment was falling faster than GDP (Bahamas, Trinidad and Tobago), employment was falling despite a modest expansion in GDP (Dominican Republic) or GDP was increasing faster than employment (Argentina, Panama). Only this last combination, however—improved average labour productivity as a consequence of economic growth that was increasing faster than employment— can be considered as beneficial.¹⁹ In sum, the simple average of GDP per person employed in 2009 for the 17 countries of the region fell by 1.2%. The weighted average fell by far more (2.6%), owing to huge drop in the Mexican peso.

Discussion of indicator 1.4 shows that in many countries the level of employment fell in absolute terms, and so—taking account of the demographic growth of the working-age population—the fall in the employment rate (indicator 1.5) is even more generalized. In any case it did not fall in all the countries, showing that the level of employment was not the labour market's only channel of adjustment in response to the crisis. In 11 of the 17 countries the employment rate fell in 2009. It was unchanged in Argentina and the Bolivarian Republic of Venezuela and rose in Colombia, Honduras, Peru and Uruguay (see table III.6). For the simple average of the 17 countries, the fall was 0.9 percentage points. In the weighted average it was only 0.5 points, mostly because the fall in Brazil's employment rate was small.

Table III.6
LATIN AMERICA AND THE CARIBBEAN (17 COUNTRIES):^a
EMPLOYMENT RATE, 2008 AND 2009
(Percentages)

Country	2008	2009	Variation
Argentina	54.2	54.2	0.0
Bahamas	69.7	62.9	-6.8
Barbados ^b	62.4	60.8	-1.6
Brazil	52.5	52.1	-0.4
Chile	51.7	50.5	-1.2
Colombia	51.9	53.6	+1.7
Costa Rica	53.9	52.1	-1.8
Dominican Republic	47.7	45.8	-1.9
Ecuador	56.0	53.9	-2.1
Honduras	49.2	51.5	+2.3
Jamaica ^b	58.3	56.6	-1.7
Mexico	56.3	55.5	-0.8
Panama	60.3	59.9	-0.4
Peru	62.4	62.7	+0.3
Trinidad and Tobago ^b	60.6	60.1	-0.5
Uruguay	57.7	58.5	+0.8
Venezuela (Bolivarian Republic of)	60.2	60.2	0.0
Latin America and the Caribbean ^c	56.8	55.9	-0.9

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from the respective countries.

^a Data refer to the nationwide total, except for Argentina (urban areas), Brazil (six metropolitan areas) and Peru (Lima Metropolitan Area).

^b First three quarters of both years.

^c Simple average.

Data on the percentage of vulnerable workers in 12 countries in the region show that in most of them, there were increases in the proportion of the own-account and the unpaid family worker categories, reflecting the weakness of labour demand from businesses and the resulting fall in private waged employment, which was not counteracted by increasing public-sector employment.²⁰ The proportion of vulnerable workers was unchanged in

¹⁹ Indicator 1.4, growth rate of GDP per person employed, is therefore more meaningful for analysis of trends over longer periods than for short-term changes caused by crises, for which the numerator and denominator of the indicator must be considered and the situations in the countries must be described case by case.

²⁰ The *Preliminary Overview of the Economies of Latin America and the Caribbean, 2009*, on the basis of a simple average of the data from eight countries, estimates that waged employment in the private sector fell by 0.5% in the first three quarters of

Brazil and decreased in Costa Rica, where the fall in employment mostly affected waged workers. Taking the simple average for the region, the proportion of own-account workers and unpaid family workers among employed people rose by 0.9 percentage points (see table III.7).

Table III.7
LATIN AMERICA AND THE CARIBBEAN (12 COUNTRIES):^a OWN-ACCOUNT WORKERS AND UNPAID FAMILY WORKERS AS A PROPORTION OF TOTAL EMPLOYED PERSONS, 2008 AND 2009
(Percentages)

Country	2008	2009	Variation
Argentina ^b	19.3	19.5	+0.2
Brazil	19.5	19.5	0.0
Chile	23.9	24.9	+1.0
Colombia	45.8	47.2	+1.4
Costa Rica	19.7	18.9	-0.8
Dominican Republic	43.9	44.0	+0.1
Ecuador	40.0	42.5	+2.5
Honduras	52.3	54.4	+2.1
Mexico	28.8	29.7	+0.9
Panama	30.8	32.2	+1.4
Peru	37.9	38.4	+0.5
Venezuela (Bolivarian Republic of)	30.6	31.6	+1.0
Latin America and the Caribbean ^c	32.7	33.6	+0.9

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from the respective countries.

^a Data refer to the nationwide total, except for Argentina (urban areas), Brazil (six metropolitan areas) and Peru (Metropolitan area of Lima).

^b First three quarters of both years.

^c Simple average.

These trends show that the impact of the crisis on labour in the region centred more on increases in employment in vulnerable categories and a fall in average labour productivity, rather than on a reduction in levels of employment.²¹ This is due to the lack of strong systems of unemployment protection and private saving which can provide resources for subsistence when a job is lost, as well as the relative ease of obtaining informal employment. It is estimated that the number of employed people in the region has increased in absolute terms and the fall in the employment rate has been relatively moderate. The reduction in quality jobs has led to a rising proportion of own-account work and unpaid family work and a fall in labour productivity, unlike what has been observed in the United States, for example, where the crisis saw steep drops in employment levels and strong increases in labour productivity.²²

Aside from these regional patterns, there are significant differences between countries: in some, labour market adjustments were centred on falls in employment rates, and in others there were falls in average labour productivity. In many of these cases the proportion of own-account workers and unpaid family workers increased. The countries where adjustments mainly took the form of falling employment include a number of Caribbean States: Bahamas and Trinidad and Tobago and, to a lesser extent, Barbados and Jamaica, where productivity also fell, as

2009, compared to the same period in 2008, whereas public-sector waged employment rose by 3.0% (ECLAC, 2009b). This was influenced by the expansion or creation of emergency employment programmes and widespread growth in public-sector employment, which —except when hit by a major fiscal crisis or profound structural reforms— is more stable than private-sector waged employment.

²¹ The numbers in table III.4 do not match those in table III.7. This is because the former come from tabulations of household survey data, whereas the latter are figures provided by the countries, and in many cases obtained from the employment surveys which are the basis for official estimates of the various employment and unemployment indicators.

²² In the United States, the output of non-agricultural businesses fell by 3.6% in 2009, but the hours worked fell by 7.1%, meaning that labour productivity rose by 3.8% (United States Bureau of Labor Statistics, 2010).

well as the Dominican Republic and Panama. In Argentina, Chile and Costa Rica the adjustment impacted on both variables, but more on employment levels. In the Bolivian Republic of Venezuela, Colombia, Cuba, Ecuador, Honduras and Peru, the adjustment took the form of a fall in average labour productivity. Brazil and Mexico also felt the impact more on the productivity side, although they did suffer falls in their respective rates of employment, with great differences in magnitude, owing to the scale of the crisis that affected both economies.

C. THE SITUATION OF WOMEN AND YOUNG PEOPLE IN EMPLOYMENT

1. Difficult labour-market integration for women and young people

Women and young people are particularly vulnerable to labour-market integration problems, and also to various forms of discrimination in that market. This tends to push them into low-quality and low-income occupations; hence the emphasis on those two groups in the new employment target of the Millennium Development Goals. Both women and young people are affected by high unemployment rates, employment in low-productivity sectors, insecure employment conditions where they are often deprived of health and social security coverage, and low remuneration. Nonetheless there are differences between certain characteristics of women's and of young people's integration and of its trends over time, as are the underlying causes of the problems they face in terms of entering and remaining in the labour market. Youth is a transitory stage which marks the beginning of integration into productive activity. The difficulties faced by young people in the labour market are often temporary, since the problems which face a young person as such will disappear or change when the person progresses into adulthood. Women, on the other hand, are faced with a variety of obstacles to their labour-market integration, and when they do manage to enter that market, they suffer discrimination in relation to their male counterparts, particularly in terms of wage gaps.

(a) Women and employment

The report entitled *Millennium Development Goals. 2006 Report: a Look at Gender Equality and Empowerment of Women in Latin America and the Caribbean* estimates that poverty in the region would be over 10 percentage points higher without women's employment. Despite the significance of women's paid work for household economies, employment is one of the areas where the widest gender gaps persist. They are reflected in lower remuneration, low returns on education and the predominance of informal and low-productivity work (United Nations, 2007). The inclusion of the employment target within the Millennium Development Goals therefore represents a substantial step forward. It recognizes that creating quality jobs and equality between men and women are central goals of the development agenda and, at the same time, a condition for the attainment of the other Goals (ECLAC, 2007a).

Women have long been considered as a "secondary" labour force, and one that was more costly to employ, and this has justified labour practices which are now considered openly discriminatory.²³ Although neoclassical theories recognized the existence of gender gaps, these were attributed mainly to the supposedly lower productivity of women, their employment preferences and the non-salary costs of hiring them. The theory of human capital clearly recognized discrimination in the labour market resulting from culturally ingrained ideas related to the traditional allocation to women of family care roles (Becker, 1971 and 1985).

More recent studies have reported that, in the context of various changes in culture and the family in our societies, women have become increasingly important in the labour market and in their contribution to household incomes. This has led to the recognition that for a significant number of women, work cannot be considered as a

²³ The theories of gender segmentation and dualism in labour (Piore and Berger, 1980; Piore and Doeringer, 1985; ILO, 1979) pointed to a labour market with primary and secondary segments. The workforce in "secondary" occupations was said to be composed of groups whose social identities and roles were defined outside the labour market, such as women, adolescents, apprentices, those doing work experience and temporary migrants, who often move in and out of the labour market (Piore and Berger, 1980).

secondary, optional activity (Geldstein and Delpino, 1994; Abramo and Todaro, 1998; Abramo, 2004). It must therefore be recognized that monitoring the situation of women's employment not only provides a picture of women's position in the labour market, but also reflects our societies' recognition of their rights and of their important role not only in the home but also in economic growth. The growing pressure for gender parity and equity has led to the development of public plans and programmes which aim mainly to monitor the aforementioned inequalities in national markets, and sometimes to fulfil gender quotas among public-sector employees (ECLAC, 2004a).

(b) Young people and employment

It is increasingly clear that, at least in our region, young people represent an opportunity for development. This is not just a rhetorical statement; it is based on the fact that the young people of today are best suited to take a positive approach to the significant social and productive changes which have come with the globalization process and the introduction of new technologies in various spheres of life (ECLAC/OIJ, 2004). Young people now represent a springboard for development, not only for the reasons mentioned above, but also because of the very characteristics of demographic transition in the region. Subject to certain differences among countries, the region currently faces a demographic bonus or dividend, a temporal window between low levels of dependency, because a larger proportion of the population is of productive age compared to the part that is potentially inactive (children and older persons) and that therefore represents a financial burden for the family and the State.

As early as 1995, in the World Programme of Action for Youth, the United Nations openly recognized the importance of young people and of improving the various situations that affect them. The Programme of Action describes the measures to be taken in various spheres such as education, employment, hunger and poverty, health, the environment, drug abuse, juvenile delinquency, recreational activities, the girl child and young women, as well as full and effective participation by young people in the life of society and in decision-making (United Nations, 1995). Education and employment are the areas of highest priority, since they provide the basis for improvements in other spheres. Education develops the abilities of children and young people, preparing them for a world in constant mutation. That development must go hand in hand with the existence of opportunities for them to make use of those abilities, mainly—but not solely—in the world of work. Employment enables the young to reveal their creative or innovative potential, live full lives, participate in the many areas of social life, have access to material and symbolic well-being, exercise their citizenship and thereby cut the chains of reproduction of poverty which still afflict our societies (ECLAC/OIJ, 2008). This is why public policies not only strive to ensure that young people stay longer in the educational system, but also often seek to strengthen work training systems, prove their professional competence with those who have the greatest experience, promote youth enterprise, make the best of young people's capacity for innovation and encourage independent work and the creation of enterprises.

2. Labour participation and unemployment among women and young people

Growing labour participation has been a vital factor in raising household incomes for families living in poverty. This is due to increasing labour-market entry by women. From 1990 to 2008, women's participation in Latin America rose by 12 percentage points from 40.7% to 52.5%, while that of men declined by two points, from 82.2% to 80.3%. In the English-speaking Caribbean, the female participation rate stood at 53.8% around 2005, having barely shown any increase over its 1998 level of 53.6%. At the same time, the male participation rate rose from 73.3% in 1998 to 74.6% in 2005 (CARICOM, 2008).²⁴

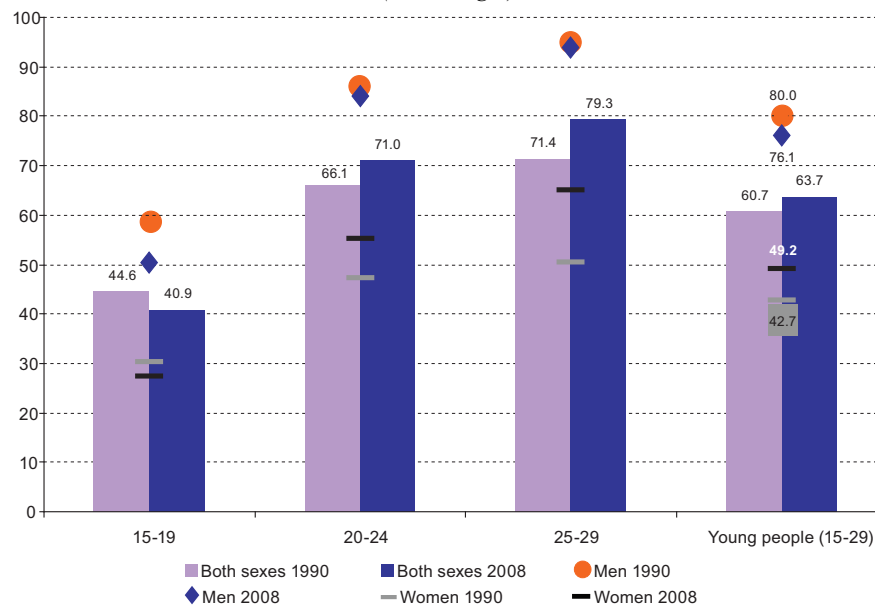
In Latin America, although the labour-market gender gap is diminishing, the participation rate for males is still 28 percentage points above the rate for females. In the Caribbean, the gap is around 21 percentage points, having widened by one point between 1998 and 2005 (CARICOM, 2008). The situation is still strongly influenced by cultural factors relating to the division of labour in households, which explain the continuance of major gender gaps in labour participation, especially in the poorest strata of the population. Around 2005, the rate of participation

²⁴ The data refer to the simple average of eight countries (Bahamas, Barbados, Belize, Dominica, Grenada, Jamaica, Saint Lucia and Trinidad and Tobago), calculated on the basis of data published by CARICOM (2008), which are not strictly comparable with the data for Latin America calculated by ECLAC through the processing of household survey data.

for women in the poorest decile in Latin America was 37%, compared to 76% for men. Thus, it is vital and urgent that the region should overcome the restrictions which continue to obstruct women's labour participation and their contribution to household incomes (ECLAC 2008a).

Household survey data show that some evidence can be gleaned concerning the degree of stability of labour-market participation by women and by young people aged 15-29. In Latin America, as expected, the average participation rate among young people is significantly lower (54.9%) than that for the population as a whole (61.4%). Between 1990 and 2008, employment increased by only 0.6 percentage points among young people, while for the rest of the population it rose four points. There are a variety of reasons for this small increase. First, the participation rate for young people rose between 1990 and 2008, except among those aged 15-19 years, whose participation in the labour force declined, as shown in figure III.5. This is mainly due to the expansion of educational systems, greater retention of the youngest students in those systems, and school re-enrolment by some who are still of secondary-school age (ECLAC, 2008a). Nonetheless, labour participation by the youngest groups increased in Guatemala, Mexico and Nicaragua.

Figure III.5
LATIN AMERICA (18 COUNTRIES): PARTICIPATION RATES BY AGE GROUP AND SEX,
NATIONAL TOTAL,^a AROUND 1990 AND 2008
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household surveys conducted in the respective countries.

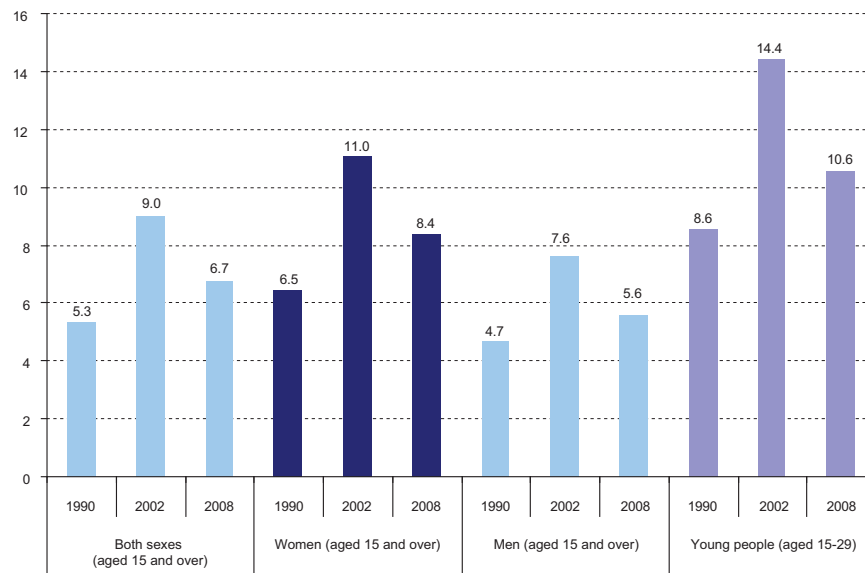
^a The figures correspond to weighted averages for the countries. In Argentina, they correspond to Greater Buenos Aires; in the Plurinational State of Bolivia to eight main cities and El Alto; in Ecuador and Uruguay to urban areas; and in Paraguay to Asunción and the Central Department.

As can be seen in figure III.5, there are two trends underlying the rise in young people's labour-market participation: a 3.9 point fall in participation by young men, and a 6.5-point surge in participation by young women, mainly from the age of 20 onwards, as they leave the educational system. This last is consistent with the overall upward trend in female participation in the labour market, which has been particularly strong in Argentina, the Bolivarian Republic of Venezuela, Brazil, Guatemala and Mexico, whereas in El Salvador and Peru the trend has been negligible.

It should be noted that labour participation does not always result immediately in finding a job. Higher rates of unemployment among women and young people demonstrate the persistence of structural problems with equity in the region's labour markets. Although the unemployment rate for both sexes fell by about two points

between 2002 and 2008, the gender gap has not changed; female unemployment remains the highest. The youth unemployment rate dipped significantly between 2002 and 2008, but it remains much higher than the rate for other age groups, and is above its 1990 level (see figures III.6 and III.7).

Figure III.6
LATIN AMERICA (18 COUNTRIES): UNEMPLOYMENT RATE, NATIONAL TOTAL,^a
BY SEX AND AGE, 1990, 2002 AND 2008
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household surveys conducted in the respective countries.

^a The figures correspond to the weighted average of the countries. The unemployment rates reported in household surveys in Colombia, the Dominican Republic and Panama include hidden unemployment. In Argentina, data correspond to Greater Buenos Aires; in the Plurinational State of Bolivia, to eight main cities and El Alto; in Ecuador and Uruguay, to urban areas; and in Paraguay, to Asunción and the Central Department.

Youth unemployment rates tend to be high and to increase considerably in times of crisis; this may relate to young people's mobilization into the labour market in order to complement household incomes.²⁵ This occurs partly as a result of the job losses which generally occur in recessions, but also because of the bias against hiring young people—which is still worse in the case of young women—owing to their lesser work experience and the likelihood that they will not stay as long in a given job. This last is because their entry may be temporary, since they may return to studying, seek jobs which are of higher quality or more suited to their qualifications, or start a family.

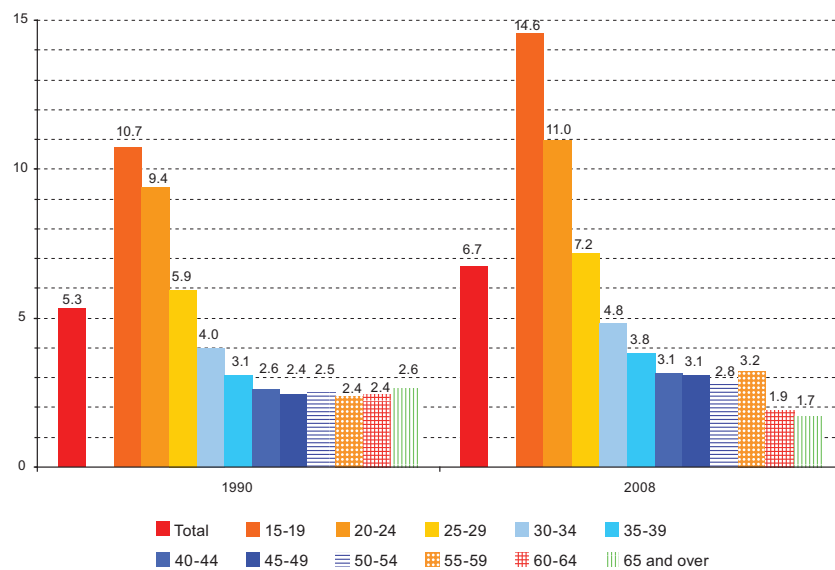
There are great disparities between levels of youth unemployment and adult unemployment. In times of crisis, those disparities do not tend to increase—sometimes they even decrease—mostly because most job losses are concentrated among positions occupied by adults. This is not the case for female unemployment, which

²⁵ Rising youth unemployment may be attenuated by falling participation by young people in light of the shortage of employment opportunities, as occurred in 2009 in practically all the countries for which information is available. In Brazil, for example, the participation rate for young people aged between 15 and 24 fell from 56.6% to 55.0% between 2008 and 2009, while the rate for adults fell only from 64.3% to 64.1%. In México, the participation rate for young people fell from 47.7% to 46.9%, whereas the adult rate rose slightly from 64.5% to 64.6%.

generally tends to soar in comparison with male unemployment in periods of economic contraction and diminish more slowly in recovery periods.²⁶

Despite the large increase in youth unemployment between 1990 and 2002, from 8.6% to 14.4%, the doubling of the rate for adults (aged 30 to 64) during the same period actually narrowed the gap between the two; the rate for young people decreased from 2.9 times to 2.4 times the adult rate. As overall unemployment declined up to 2008, the youth unemployment rate stood at 10.6%, or 3.1 times the adult rate, so that the disparity was slightly higher than in the early 1990s. The highest unemployment rates are among the youngest people (aged 15-19), at four times the adult rate (see figure III.7).

Figure III.7
LATIN AMERICA (18 COUNTRIES): UNEMPLOYMENT RATES BY AGE GROUP,
NATIONAL TOTAL,^a AROUND 1990 AND 2008
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household surveys conducted in the respective countries.

^a The figures correspond to the weighted average of the countries. The unemployment rates reported in household surveys in Colombia, the Dominican Republic and Panama include hidden unemployment. In Argentina, data correspond to Greater Buenos Aires; in the Plurinational State of Bolivia, to eight main cities and El Alto; in Ecuador and Uruguay, to urban areas; and in Paraguay, to Asunción and the Central Department.

Not all young people suffer equally from unemployment. The poorest are the worst affected: in Latin America around 2005, average unemployment among those aged 15-29 belonging to the poorest quintile of per capita income was slightly above 24%, a percentage which declines gradually to reach 6.6% among young people in the richest quintile (ECLAC/OIJ 2008). A comparison of youth unemployment rates by level of education shows that unemployment has the greatest impact on those with more education, particularly those who have completed secondary education. Various studies conducted by ECLAC show that this is mainly due to the phenomenon of devaluation of education, since growing numbers have completed secondary education in the past 10 years, while insufficient jobs have been created for people with that level of education; thus, it does not offer rapid labour-market entry in good conditions nor guarantee an escape from poverty (ECLAC/OIJ, 2008; ECLAC, 2004b; ECLAC, 2000b). Young people with university educations are also proportionally worse affected, although this is mostly because they are more inclined to wait for good-quality jobs that correspond to their qualifications (ECLAC, 2002).

²⁶ Nonetheless, the impact of the recent worldwide economic crisis was centred on sectors with mainly male workforces such as construction. As a result, in most of the countries of the region, 2009 saw female unemployment increasing less than that of men (ECLAC/ILO, 2010).

One of the most blatant disparities among young people in terms of unemployment relates to gender. Gender criteria are still very predominant in recruitment, and this affects women throughout their productive life cycles, but most of all when they are young.²⁷ The high rates of youth unemployment are to a considerable extent due to the even higher levels among young women. In the absence of reasons associated with qualifications or work experience, one of the factors which explain higher female unemployment has to do with businesses' propensity to refrain from hiring women of childbearing age, both because of their greater employment instability (frequent absences from the workforce) and because of the labour costs associated with maternity. Depending on national legislation, these costs include maternity leave and the resulting need for temporary replacement staff, the payment of infant sickness leave and the funding of day care centres.

D. COMPLEMENTARY AND ADDITIONAL INDICATORS FOR MONITORING THE EMPLOYMENT TARGET IN LATIN AMERICA

It is a major challenge to measure complex concepts such as full and productive employment and decent jobs (see box III.2), which fall within the new Millennium target. The four official indicators for this target identify important elements in the concept of decent work, but in Latin America it is possible and necessary for them to be accompanied by other indicators calculated on the basis of household surveys, to deepen the analysis of the conditions of decent work, such as:

- the percentage of workers in low-productivity sectors (or “informality rate”),²⁸
- the percentage of workers affiliated to social security; and
- the ratio of women's to men's wages.

These complementary and additional indicators reflect persistent features of Latin American labour markets such as informality, low levels of social protection and wage inequality between the sexes. In terms of trends from 1990 to 2008, the situation improved slightly in terms of the proportion of workers in low-productivity sectors, with the average of the countries falling from 54.6% to 49.8%, and in terms of women's wages, which rose from 77.8% to 79.1% of men's wages. Of the nine countries for which data are available on social-security coverage among employed people between the early 1990s and 2004-2008, four (Argentina (Greater Buenos Aires), Brazil, Ecuador (urban areas) and Nicaragua) saw a fall in coverage, and the other nine (Chile, Costa Rica, El Salvador, Mexico and urban areas in the Plurinational State of Bolivia) experienced slight increases.

These indicators, together with others, are being used by the countries of the region in their national reports on the Millennium Development Goals, or as tools to monitor their social and employment policies oriented towards decent jobs.²⁹ In 2003, an additional Goal at country level was proposed in Argentina—before the United Nations adopted the new employment target—on the promotion of decent employment. It includes the target of expanding social security coverage (Argentina, Office of the President, 2003). In Brazil, where a National Agenda for Decent Work was adopted by the Government in 2006 with a strong focus on creating better jobs with equal opportunities and conditions, the ratio of men's to women's wages was included (Brazil, Office of the President, 2007). Chile is monitoring wage disparities between the sexes (Government of Chile, 2008). Decent work is a priority of social policy in Peru, and improved wages and long-term employment are key points of the National Strategy “CRECER” (CIAS, 2008).

²⁷ This does not apply to more highly educated women, for whom the gap in comparison with men's wages tends to widen more as their working lives progress.

²⁸ This indicator, which refers to informal work, differs from the indicator on vulnerable workers. Although both take into account unpaid family workers and own-account workers, own-account workers with professional or technical qualifications are excluded when calculating the informality rate. Also, the percentage of workers in low-productivity sectors includes domestic workers and workers in microenterprises.

²⁹ ECLAC, UNDP AND ILO (2008) have proposed a set of 28 indicators for Brazil to monitor decent working conditions. ECLAC/EUROsocial (2007) have proposed important indicators which relate the issue of employment with that of social cohesion.

Box III.2
THE CONCEPT OF DECENT WORK

The concept of decent work, introduced in 1999 by the International Labour Organization (ILO), reflects the broad goal of providing men and women with opportunities to obtain “productive work in conditions of freedom, equity, security and human dignity”.

Although the ethical meaning is the one conveyed most strongly by the term “decent work”, its various dimensions show what this basic human activity should be and provide guidance for analysing the labour market:

- “opportunities for productive work” refers to the need for all persons who want work to be able to find work, allowing workers and their families to achieve an acceptable level of well-being;
- “employment in conditions of freedom” underlines the fact that work should be freely chosen and not forced on individuals; it also means that workers have the right to participate in the activities of trade union groupings;
- “employment in conditions of equity” means that workers need to have fair and equitable treatment in work, without discrimination and with the ability to balance work with family life;
- “employment in conditions of security” refers to the need to safeguard the health of workers and to provide them with adequate pensions and social protection;
- “employment in conditions of human dignity” requires that workers be treated with respect and be able to participate in decision-making about working conditions.

In particular, decent work should enable people to earn enough to pull themselves out of poverty with their families on a lasting basis. Decent employment is therefore covered by social security and guarantees protection under labour laws, as well as the possibility of making one’s voice heard through freely elected workers’ organizations.

This concept was based on the conviction that only decent employment—and not just any type of employment—will enable people to avoid or overcome poverty. Decent work is thus an alternative for a large number of people who are working, sometimes for long hours and in bad conditions, in low-productivity jobs that do not enable them to emerge from poverty.

Each of the dimensions of the concept of decent work is among the topics that have been the subject of recommendations and mandates of ILO since its creation nine decades ago. What is new is that the idea of decent work places the various dimensions of work within a single framework. It is also necessary to stress that this is a universal concept, covering all workers—and not only certain groups—which represents a departure from the traditional role of ILO, which was initially concerned with workers in the organized sector, with those who were already employed or those who were protected by specific rules and regulations.

Source: Anker, Richard and others, “Measuring decent work with statistical indicators”, *Policy Integration Paper*, No. 1, Geneva, International Labour Organization (ILO), 2002; María Estela Lanari, *Trabajo decente: significados y alcances del concepto. Indicadores propuestos para su medición*, Buenos Aires, Subsecretaría de Programación Técnica y Estudios Laborales, Ministry of Labour, Employment and Social Security, Argentina, 2005; International Labour Organization (ILO), *Report of the Director-General: Decent Work*, eighty-seventh session of the International Labour Conference, Geneva, 19 June 2009 [online] <http://www.ilo.org/public/spanish/standards/relm/ilc/ilc87/rep-i.htm>; “Key Indicators of the Labour Market (KILM), Fifth Edition” 2007 [online] <http://www.ilo.org/public/english/employment/strat/kilm/download.htm> and Amartya Sen, “Statement”, eighty-seventh session of the International Labour Conference, Geneva, 19 June 2009.

1. Workers in low-productivity sectors

The indicator on the proportion of employed people involved in low-productivity activities indirectly reflects the level of structural heterogeneity in the Latin American economies and the differing speeds of development of their productive sectors. Jobs in low-productivity sectors are generally of poor quality and are linked to problems such as labour instability, low pay and the lack of access to social security.

Almost half of all workers in Latin America are in low-productivity sectors. With the exception of Chile, some 40% or more of employed people in all the countries are own-account workers, in domestic service or in micro- or small enterprises which have low productivity and income and provide little or no social security coverage.³⁰ Of particular concern is the high proportion of women employed in low-productivity sectors (55.5%) compared with men (45.9%) (see table III.8). This shows that the workforce is still highly segmented, with females in the most insecure and poorly-paid jobs (ECLAC 2004a).

³⁰ In six of the countries of the region (Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Paraguay) fewer than 5% of those employed in low-productivity sectors pay social security contributions.

Table III.8
LATIN AMERICA (18 COUNTRIES): COMPLEMENTARY AND ADDITIONAL INDICATORS FOR THE MONITORING OF TARGET 1.B (BOTH SEXES, MALES AND FEMALES), NATIONAL TOTAL, AROUND 1990, 2002 AND 2008^a
(Percentages)

	Both sexes			Females			Males		
	1990	2002	2008	1990	2002	2008	1990	2002	2008
Informality rate ^b	54.6	53.9	49.8	60.2	57.7	55.5	51.9	50.6	45.9
Employed and contributing to social security systems ^c	52.4	49.5	51.5	52.7	49.5	51.8	52.2	48.8	51.2
Ratio of women's to men's wages	77.8	78.4	79.1	-	-	-	-	-	-

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household surveys conducted in the respective countries.

^a Weighted average. In Argentina, data correspond to Greater Buenos Aires; in the Plurinational State of Bolivia, to eight main cities and El Alto; in Ecuador and Uruguay, to urban areas; and in Paraguay, to Asunción and the Central Department.

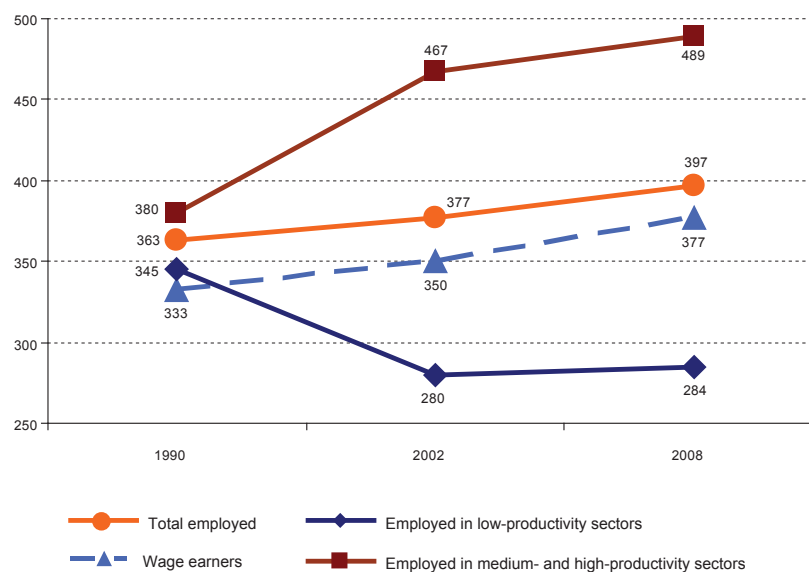
^b Corresponds to the percentage of employed people working in low-productivity sectors. The weighted average does not include Colombia.

^c Employed persons aged 15 years who declared employment income (does not include unpaid workers).

All the Latin American countries have large wage gaps between workers in the formal and informal sectors. In particular, the employment incomes of urban workers in low-productivity sectors fell between 1990 and 2008, from US\$ 345 to US\$ 284 per month in 2000 prices. This widened the gap between them and formal-sector workers, whose monthly incomes in 2008 averaged US\$ 489.

In 2002-2008, a period characterized by economic growth and rising productivity, urban monthly wages rose by US\$ 27 and the average monthly income of employed persons rose by US\$ 20, while the monthly wages of informal workers increased by only US\$ 4 (see figure III.8).

Figure III.8
LATIN AMERICA (18 COUNTRIES): TRENDS IN REAL WAGES IN URBAN AREAS, AROUND 1990, 2002 AND 2008^a
(Dollars at constant 2000 prices)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household surveys conducted in the respective countries.

^a Some drops in wages were recorded in the periods between those shown in the figure, owing to different crises.

Box III.3

THE CONCEPT AND MEASUREMENT OF INFORMALITY

Informality is a significant phenomenon in Latin America and the Caribbean, a region where the labour market is unable to provide productive and decent employment to the entire workforce without the implementation of specific social and economic policy measures. Aside from low wages, informal workers are faced with problems such as the absence of job security, employment rights or social protection and limited access to pensions, because access to protection systems is mostly restricted to those with formal work contracts.

The measurement of informality, an issue of international concern, is closely linked to the conceptual debate. In 1993, the fifteenth International Conference of Labour Statisticians established that the enterprise was the appropriate unit of analysis. From this viewpoint, the main factor in levels of informality is not compliance with the law, employment characteristics or the work relationship, but the productivity level of the unit. Informality is considered to result from the heterogeneity of the productive structure, which can be seen schematically as two sectors: one is formal, has a medium to high productivity level, greater levels of investment, relatively high growth potential and effective social protection; and the other informal, with low levels of productivity, growth potential and social protection. Consequently, unskilled own-account workers, unpaid family workers or apprentices, owners and employees of micro-enterprises and domestic workers are all considered informal.

ILO has recently begun to consider that the “informal” category also includes workers subcontracted by formal companies, that is, firms with higher productivity levels. This relates to the introduction of the concept of decent work. In order to focus the discussion on the job rather than the enterprise, the new conceptual framework of the “informal economy” has been proposed in order to complement that of the informal sector, given that informal activities are found in both low- and high-productivity sectors. This new approach includes waged workers in the formal sector whose working conditions are not covered by employment legislation, meaning that they have no access to the social protection or other benefits provided for by the labour laws in force in the country concerned. Accordingly, taking into account the recommendations of the Delhi Group (experts from different countries who study informal-sector statistics), the seventeenth International Conference of Labour Statisticians, held in 2003, approved a statistical definition of informal employment, defined by the total number of informal jobs regardless of whether they are in formal- or informal-sector enterprises.

ILO believes that the increasingly informal nature of the Latin American labour market is due to falling numbers of public-sector jobs as well as large corporations’ job-cutting measures in the context of changes in the division of labour between countries. In response to this situation, priority should be placed on three areas: in the short term, working conditions should be improved by providing all workers with the right to protection and representation; in the medium term, labour institutions should be improved in order to promote formalization of employment; and in the long term, greater numbers of decent and protected jobs should be provided for all.

ECLAC links the term “informality” to that of “low-productivity sectors”, but does not yet take into account aspects such as social protection and subcontracting. Given that low productivity implies low incomes and limited investment capacity, ECLAC proposes that the informal sector should also be defined by its characteristic insecurity. It also argues that the heterogeneity of production mechanisms generates and maintains the informal sector. Priority must therefore be given to production convergence, together with measures to improve labour institutions and social policies. From this structuralist viewpoint, labour informality is a serious problem that should be dealt with by governments, owing to its negative influence on both economic development and social cohesion in the countries concerned.

In short, the definition and measurement of informality, along with identification of its main causes, strongly influences public policy and labour legislation, even though the lack of social protection and labour rights for workers is a common denominator in the different analyses. This, then, is an issue that governments should not overlook when attempting to improve the workings of the labour market.

Source: Alejandro Portes and William Haller, “La economía informal”, *Políticas sociales* series, No. 100 (LC/L.2218-P), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), 2004. United Nations publication, Sales No. S.04.II.G.138; Economic Commission for Latin America and the Caribbean (ECLAC), *Social Panorama of Latin America 2006* (LC/G.2326-P), Santiago, Chile, 2007. United Nations publication, Sales No. E.06.II.G.133; Ricardo Infante, “América Latina: informalidad y heterogeneidad estructural: los desafíos de la convergencia productiva”, unpublished, 2008; International Labour Organization (ILO), *2006 Labour Overview. Latin America and the Caribbean*, Lima, Regional Office for Latin America and the Caribbean, 2006; International Labour Organization (ILO), *2007 Labour Overview. Latin America and the Caribbean*, Lima, Regional Office for Latin America and the Caribbean, 2007; International Labour Office, *Report VI: Decent work and the informal economy*, International Labour Conference, 90th Session, Geneva, 2002; Victor Tokman, “Informalidad, inseguridad y cohesión social en América Latina”, *Políticas sociales* series, No. 130, Santiago, Chile, 2007. United Nations publication, Sales No. S.07.II.G.45 and *De la informalidad a la modernidad*, International Labour Organization (ILO), Santiago, Chile, 2001.

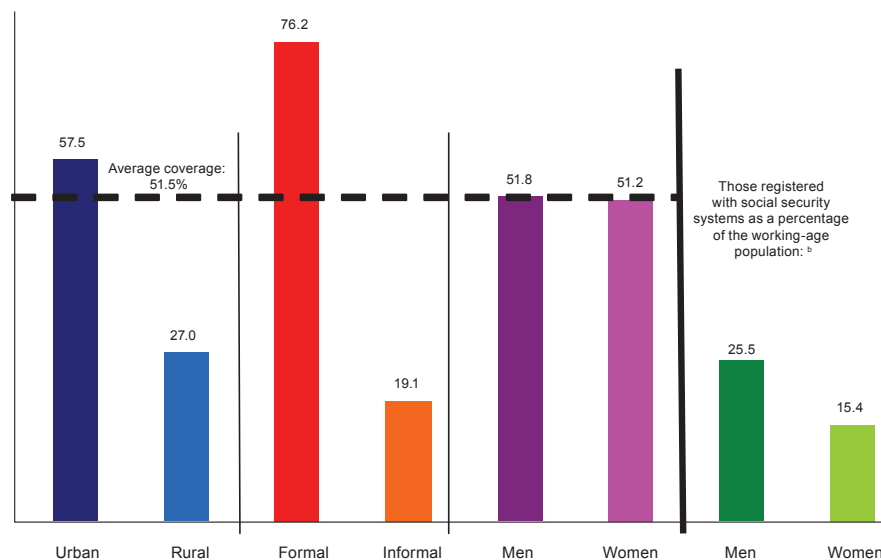
2. Social security coverage

Social protection —access to health systems and health insurance and affiliation to pension systems— is a basic right of workers which should be covered explicitly in the framework of the Millennium Development Goals. Currently, 51.5% of the region’s employed people state in household surveys that they are contributing members of

a social security system, a percentage slightly below the 1990 figure. The average, however, conceals wide differences from one country to another: around 2008, in Colombia, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Paraguay, Peru and the Plurinational State of Bolivia, a third or less of the urban employed were contributing to social security systems, while in Chile, Costa Rica and Uruguay the coverage was over two thirds.

These data clearly demonstrate that the region's labour markets have not succeeded in acting as universal entry points to social protection. The situation is particularly difficult in rural areas and among informal-sector workers, although even urban workers in formal jobs are not guaranteed social protection. Although the rates of affiliation of employed people are similar for males and females, the gender gap in social contributions is significant if the entire working-age population is taken into account, rather than employed people alone: only 15% of women participate in social security systems, compared with 25% of men (see figure III.9). If the economically inactive population, rather than just the active element, is taken into account, this reveals gender differences resulting from long breaks in contributions by women, generally in connection with caring for children, older persons and persons with disabilities. In all the countries there is a strong correlation between households' income levels and the rate of social security coverage, with workers belonging to households in the wealthiest income quintile showing significantly higher rates of contribution and coverage than workers in the poorest quintile. In the lower parts of the income scale, the numbers of own-account workers are higher, and this partly explains the lack of access to social security systems (ECLAC 2006).

Figure III.9
**LATIN AMERICA (18 COUNTRIES): EMPLOYED PERSONS^a REGISTERED WITH
 SOCIAL SECURITY SYSTEMS, AROUND 2008**
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household surveys conducted in the respective countries.

^a Employed workers aged 15 and over who reported labour income. Weighted average.

^b Data around 2006.

3. Ratio of men's to women's wages³¹

Wage levels are a key indicator of job quality and are of vital importance for reducing poverty. There remain wide gender gaps in this regard, since women's wages average 21% below those of men. The gap widens with age (see figure III.10) and with the number of years of education. These disparities show that women do not have the same opportunities or results as men when they are in paid work.

The wage gap between men and women has narrowed slightly since 1990 thanks to greater increases in women's real wages (18.5%) compared to those of men (16.4%). According to Contreras and Gallegos (2007), this is because women's growing labour market participation and the gender-related changes in that market have generated an equalizing differential in salary distribution. There are still large differences between countries, however, in respect of both the magnitude of the gap and the speed at which it is narrowing. Of 18 countries in Latin America, Peru has the widest gap (29%), whereas Ecuador (7%) and the Bolivarian Republic of Venezuela (5%) have the lowest levels of gender disparity in wages (ECLAC, 2010b).

Figure III.10
LATIN AMERICA (18 COUNTRIES): WAGE INCOME BY AGE GROUP AND SEX AND GENDER PARITY INDEX, NATIONAL TOTAL,^a AROUND 2008
(Dollars at constant 2000 prices and ratio between women's and men's incomes)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household surveys conducted in the respective countries.

^a Weighted average for the countries at the national level. In Argentina, corresponds to Gran Buenos Aires; in the Plurinational State of Bolivia, to eight main cities and El Alto; in Ecuador and Uruguay, to urban areas; and in Paraguay, to Asunción and the Central Department.

4. Analysis of the link between employment and poverty reduction

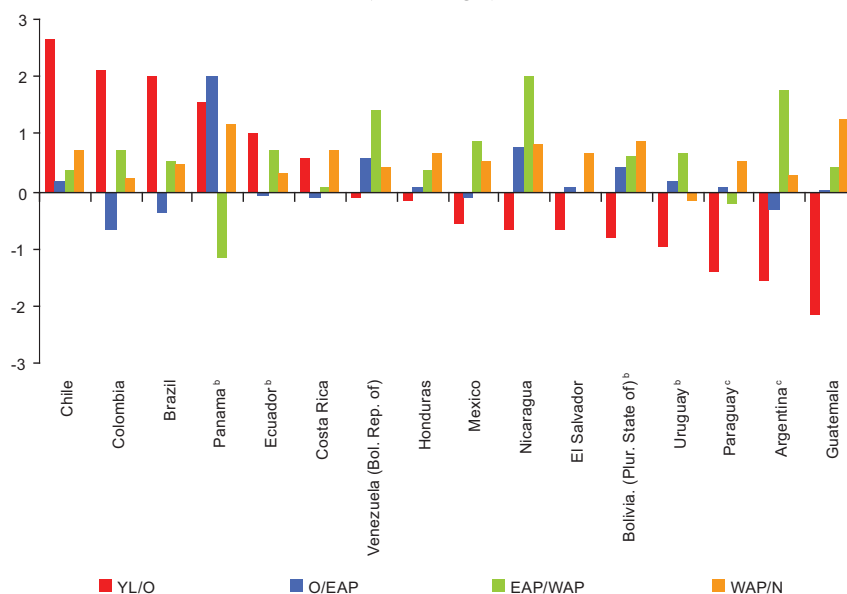
Variations in total household income during a given period—and consequently poverty reduction—largely depend on events in the area of employment income. To monitor the employment target in the region and demonstrate the

³¹ This indicator has also been proposed by ECLAC for the monitoring of article 11 of the Convention on the Elimination of All Forms of Discrimination against Women, on the right of women to have access to the same opportunities as men in the area of labour, and as a complementary indicator for monitoring the third Millennium Development Goal, “Promote gender equality and empower women” (Zapata, 2007).

importance of employment in combating poverty, it may therefore be useful to make use of a method of analysis of employment income variations presented in the *Social Panorama of Latin America 2010* (ECLAC, 2010a). This method shows the variations in factors associated with increases in per capita employment income in poor households: employment income per employed person (a measure which approximates labour productivity), the number of employed persons divided by the economically active population (employment rate; that is, the complement of the unemployment rate), the economically active population divided by the working-age population (participation rate) and the ratio of the working-age population to the total population (demographic dependency rate).³² Figure III.11 uses this method to analyse the way in which these factors affected employment income in poor households between 1990 and 2008.

The results shown in figure III.11 show that since 1990, employment income per employed person, which is linked to productivity, has increased for poor households only in Brazil, Chile, Colombia, Costa Rica and the urban areas of Ecuador and Panama, and fallen in the remaining countries. The economies of Latin America also failed to boost their capacity to create quality jobs; the employment rate fell in six countries, and in six others it rose by less than 0.2% per year. Thus, the factors which contributed the most to improving per capita employment income in households which were living in poverty were the demographic dependency ratio and the participation rate.

Figure III.11
**LATIN AMERICA (16 COUNTRIES): ANNUAL VARIATION IN THE COMPONENTS OF
 LABOUR INCOME, POOR HOUSEHOLDS, 1990-2008^a**
 (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household surveys conducted in the respective countries.

^a Countries sorted by annual variation in labour income per employed person. The survey year varies between countries. The period 1990 corresponds to the available survey closest to that year and the period 2008 to the most recent available between 2004 and 2008. The percentage of the population analysed is the same in both periods and corresponds to the poverty rate for 1990. YL = labour income; O = number of employed; EAP = economically active population; WAP = working-age population; N = total population.

^b Urban areas.

^c Metropolitan area.

³² Variations in employment income over time are disaggregated as the product of the variations of each of its components:

$$\frac{YL/N(t_1)}{YL/N(t_0)} = \frac{YL/O(t_1)}{YL/O(t_0)} \times \frac{O/PEA(t_1)}{O/PEA(t_0)} \times \frac{PEA/PET(t_1)}{PEA/PET(t_0)} \times \frac{PET/N(t_1)}{PET/N(t_0)}$$
 (see ECLAC, 2010; Cecchini and Uthoff, 2007).

While most Latin American countries managed to raise per capita employment incomes and thereby reduce poverty, this was due to factors linked with demographic transition and to changes in the behaviour of individuals and families which reduced average family sizes. The fall in the global fertility rate, changes in the age structure of the population and the trend towards establishing smaller families have reduced the number of members in households with low per capita incomes. Changes in the age structure of the population have increased the proportion of persons of working age in the household, and the growing numbers of women entering the labour market has increased the average number of employed persons per household.

In order to continue to reduce poverty, it is therefore vitally important to improve the quality of labour-market participation for large sections of the workforce, especially the poorest. In concrete terms, this means providing adequate wages, stable work contracts, safe working conditions (in relation to industrial accidents and illnesses), access to health-care systems and affiliation to social welfare systems. Achieving full and productive employment and decent work in the countries of Latin America is of vital importance for reducing both poverty and inequality in income distribution, the deepest causes of which lie in the functioning of the labour market.

E. POLICIES AND RECOMMENDATIONS FOR ACHIEVING THE EMPLOYMENT TARGET

Advancing towards the achievement of target 1.B will mean putting in place a set of strong medium- and long-term policies designed to create a favourable environment for the generation of productive employment, regulate the functioning of labour markets in order to make decent work widely available and also lend support to groups that face specific barriers to labour market access. Hence, creating decent employment for all as a Millennium Development Goal target is closely linked not only to the effective contribution of full and productive employment to economic development in Latin America and the Caribbean, but also, fundamentally, to the strengthening of labour and social inclusion, since the creation of quality jobs will reduce the segmentation of production and the social inequality that characterize the region's labour markets.

This section puts forward a series of policies and recommendations aimed at fostering the attainment of and complementing the official indicators established by the United Nations for monitoring progress towards the employment target, taking into account the specific characteristics of labour markets and institutions in the countries of Latin America and the Caribbean.

1. Promoting economic growth and productivity

For growth to benefit those who need it the most, it must generate substantial productive employment (ILO, 2005). In Latin America and the Caribbean there continues to be a strong correlation between economic growth and the generation of employment, especially wage employment. Sustainable economic growth is thus a necessary condition for creating demand for labour, which is essential to the generation of productive employment and the consequent rise in employment.³³ A high level of economic growth also creates a favourable environment for increased productivity, which in turn fuels additional growth.

³³ It should be noted that a high employment rate does not necessarily reflect positive labour market performance. The employment rate may be high, for example, because young people are entering the labour market (too) early. A high employment rate may also reflect high levels of family labour participation in predominantly rural societies with a high proportion of rural population, as was the case in many of the region's countries in the 1950s and 1960s. In such instances, a high employment rate cannot be considered positive. However, there are aspects of a high employment rate that reflect positive trends in the labour market: (a) in the short term there is a high positive correlation between economic growth and the generation of employment (particularly wage employment), which reflects the creation of new jobs, and (b) in the long term, in the economies of Latin America and the Caribbean, an increase in the employment rate reflects, above all, the growing participation of women in the labour force. While this is not always a positive development—it depends on the conditions under which women's participation occurs—as an expression of the expansion of opportunities for women to earn their own income it does reflect a positive socio-economic and cultural trend.

Increases in productivity are also typically associated with reductions in the proportion of working poor and in vulnerable jobs, whether because new sources of work foster a shift from low-productivity sectors to middle- and high-productivity sectors or because some areas of activity become more productive and thereby lay the foundation for higher wage earnings.

However, economic growth may have different elastic effects on the generation of employment owing to differences in the sectoral composition of growth (as degree of labour intensity varies across sectors), in production chains in the sectors driving the growth, in expectations regarding future growth, in the technologies used, in the elasticity of labour supply and in labour market institutions, among other differences. Therefore, although economic growth is a necessary condition for the generation of significant productive employment, it is not, in and of itself, sufficient. If employment-output elasticity is low in a particular case, the factors underlying this low impact should be analysed and policy options for increasing it studied (Weller, 2009).

The experiences of recent decades have underscored the importance of taking into account not only the level but also the volatility of growth. Indeed, high volatility negatively affects the investment rate, as it generates uncertainty about the future evolution of the economy and therefore about the profitability of productive ventures. Growth volatility also has a negative impact on poverty levels and on distribution (ECLAC, 2008a).

This points up, first, the importance of establishing anti-volatility policies in order to reduce the likelihood of economic shocks that will hinder growth and, second, counter-cyclical policies that will limit the impact of such shocks when they do occur, since it is impossible to avoid them altogether. Anti-volatility policies include, for example, adequate regulation and oversight of the financial system and measures to reduce the impact of external capital flows and exchange rate volatility (French-Davis, 2008; ECLAC 2010b), while counter-cyclical policies include fiscal and monetary policy, which should be coordinated so as to avoid overheating of growth and offset any cooling in economic activity (ECLAC, 2008a).

2. Addressing structural heterogeneity

Although economic growth is certainly important, in economies as structurally heterogeneous as those of Latin American and the Caribbean it is not enough for macroeconomic policy to create a favourable environment for investment and growth. The large gaps in productivity and, especially, low productivity in some major sectors—especially the micro and small enterprise sectors—mean that the economic base for the generation of productive employment and decent work is very weak.

Indeed, as has recently been pointed out once again, carrying on a strong tradition of analysing social development on the basis of the relationship between production dynamics, employment and equity (ECLAC, 2010b), clear structural heterogeneity is a hallmark of the Latin American economies and helps to explain much of the social inequality found in the countries of the region. Productivity gaps both reflect and reinforce gaps in capacities, in the uptake of new technology, in bargaining power, in access to social protection systems and in opportunities for occupational upward mobility in the course of one's working life. This leads to vicious cycles not only of poverty, inequality and slow growth, but also slow learning and structural change.

The social gaps in the region are thus closely associated with the productivity and wage disparities present in the Latin American and Caribbean economies. Indeed, compared with developed economies, the large gaps in productivity imply an uneven combination of quality and productivity of jobs, which results in larger wage gaps and inequitable distribution of income. Hence, progress in increasing internal convergence (that is, convergence between sectoral levels of productivity) and external convergence (greater systemic competitiveness with developed economies) has an impact in terms of both dissemination of technology and improvement of the quality of employment, income distribution and therefore social inclusion.

A central feature of the gaps present in the production structure is their impact on the generation of decent employment. If sectors with rising productivity account for a low proportion of total employment generation, then only a few workers benefit from wage increases, while the rest remain in low-productivity, low-wage jobs. This is

precisely the trend that is being seen in the countries of Latin America and the Caribbean, where low-productivity sectors make up a large proportion of the employment structure, leading to greater inequality in the distribution of wages, with a small group of workers in highly productive sectors earning the highest wages (see table III.9).

Table III.9
EMPLOYMENT STRUCTURE BY SECTOR PRODUCTIVITY, 1990-2008^a
(Percentages)

	1990	1998	2003	2008
High-productivity sectors	7.9	7.0	7.3	8.1
Medium-productivity sectors	23.1	20.7	19.7	20.0
Low-productivity sectors	69.0	72.3	73.0	71.9
Total employment	100.0	100.0	100.0	100.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), *Time for equality: closing gaps, opening trails* (LC/G.2432 (SES.33/3), Santiago, Chile, 2010).

^a Calculation based on the economically active population, broken down by sectors, indicated by the International Labour Organisation (ILO), and corrected for the sectoral unemployment rates given by ILO.

Accordingly, productive development policies aimed at closing these gaps are needed. Worth mentioning here are measures to improve access to credit, new technologies, training opportunities, market information, marketing channels, partnership schemes, and others, all of which are essential for improving the productivity of production units and thus enhancing the environment for creating new jobs and improving the quality of existing ones (ECLAC, 2010b). A policy to close large internal productivity gaps would help to increase the average productivity of the economies of the region. However, in order to achieve sustained growth of labour productivity, the region must adopt a development strategy based on ongoing and increasing incorporation of innovations and know-how (ECLAC, 2008b).

3. Promoting and adapting education and training

The incorporation of technological innovations and available knowledge into the development models of countries of the region requires, in the labour sphere, a profound transformation of education and training systems, including the expansion of coverage, improvement of quality and reduction of segmentation (see, for example, ECLAC, 2007c).

In this context, the region also faces a challenge in developing and adapting occupational training systems, for which purpose improvements in education systems are key, as there is a close link between the results produced by occupational training and development systems and the general level of knowledge among the population. Such improvements will lay a stronger foundation for significant gains in productivity, a necessary (though not sufficient) condition for improving conditions in the labour market and reducing the proportion of working poor. Improvements in knowledge and skills, targeted to the needs of groups that generally face special challenges and relevant to the needs of the labour market, will also enhance the employability of such groups, including women and young people, especially those with few skills.

Despite recent changes, training systems in the countries of the region continue to suffer from major deficiencies. Their coverage is often limited and their training programmes are used mainly by large companies. In addition, such programmes often afford greater benefits for high-level personnel, so their effect on equity is questionable, and most of the time they are not part of a long-term development strategy, which would be a prerequisite for them to make an optimal contribution to a sustained increase in systemic competitiveness. Moreover, the impact of these programmes on the occupational lives of their participants depends on a number of factors that are not always taken into consideration. Specifically, their success seems to be positively correlated with a narrow focus, a relatively small scale, the conferral of a credential that is recognized and valued in the labour market and content that is closely related to the participant's job.

In sum, training systems need to be adapted, through diversification of the programmes offered, in order to better meet the specific needs of the various segments of the production system and of the labour force. Given the continual changes occurring in the realm of production, it is essential to establish permanent training systems to facilitate adaptation to new technologies and improve workers' chances of finding work. It is also important to strengthen skills training. This means imparting not only specific knowledge but also the ability to adapt to new tasks and technologies in different contexts. The advantage of acquiring skills is their "portability" from job to job, which enhances employability. Training providers should be accredited and transparent and the results they produce should be evaluated by means of recognized and accepted systems of skills certification.

4. Business creation and wage policies

In the light of indicator 1.7, an increase in self-employment would be interpreted as negative, owing to the low social protection coverage and low income of a large proportion of workers in this category. However, a clarification should be made. First, because the indicator "vulnerable employment" is difficult to measure, the categories "own-account workers" and "contributing family workers" are used as a proxy indicator. However, among the first group of workers there are occupations that should not be identified as vulnerable. Indeed, experience suggests that self-employment is not always synonymous with unfavourable working conditions. There are situations in which the working conditions of these workers—even those who are not professionals or technical experts—are better than those for wage workers, especially in microenterprises. It is also necessary to consider whether self-employment entails prospects for increased productivity and expansion, leading to better working conditions in the future and opening up opportunities for the creation of new jobs. Accordingly, policies that encourage the establishment of new businesses, including the promotion of individual self-employment, can be a positive instrument for progress towards target 1.B.

This is borne out by the fact that a significant proportion of new jobs are generally created in new businesses (Pagés, Pierre and Scarpetta, 2009). Facilitating the establishment of new businesses therefore not only has the potential to boost economic growth but also, in particular, to increase the creation of new jobs. The absence or weakness of instruments for the promotion of entrepreneurship will mean that a certain proportion of viable projects are not implemented or fail in the early stages because, for example, the entrepreneur cannot access financing or key information (on technology or markets) or can only do so at high cost.

Admittedly, new businesses generally have a limited life expectancy. However, while many do close after a few years, increasing the creation of new businesses tends to increase the number of businesses that survive and, thus, also the number of jobs that remain, which may increase if the businesses are able to expand. In addition, "survivor" businesses have significant potential for increasing productivity. Relevant policies in this regard include those aimed at increasing access to financing (for example, through seed capital) and facilities for formalizing businesses quickly and at reasonable cost. Policies designed to encourage the "birth" of new businesses and maintain and strengthen surviving ones in order to prevent their "death" should also be put in place.

Wage policies can also play an important role in improving various employment-related indicators. The minimum wage is a key instrument because it raises the wage floor, which benefits the lowest-income workers in both the formal and informal sectors (Gindling and Terrell, 2004, Maloney and Núñez, 2003). It therefore tends to reduce poverty among those who are employed (ECLAC, 2009a). Moreover, since low-income workers typically spend virtually all of their income on consumer goods, the minimum wage may contribute to local economic recovery. However, the existing wage level and structure must be taken into account in setting the minimum wage in order to avoid diminishing the effectiveness of this instrument as a result of high levels of non-compliance or layoffs caused by steep increases in labour costs (Marinakakis, 2008). In particular, prevailing levels of productivity must be borne in mind, although it should also be recognized that the minimum wage may stimulate increases in productivity.

Another approach is to subsidize the hiring of persons belonging to population groups that face special barriers to finding work. This approach not only has a positive distributive impact through the generation of employment for people who typically belong to low-income households, but also (as in the case of Chile), if financing is provided together with training activities, by enhancing worker productivity (MTPS, 2010).

An important aspect of wage policies is expansion of opportunities for collective bargaining, which is an ideal mechanism for strengthening the link between gains in productivity and income and which tends to favour—as noted above—workers at the bottom of the wage structure.

Box III.4
RURAL MINIMUM WAGE AND POVERTY

In the agriculture sector in many Latin American countries there are modern enterprises that generate informal employment, which partly explains the high rates of poverty among those employed by these enterprises. The clearest example is failure to pay the statutory minimum wage, which in several countries is a widespread practice. In Argentina, a recent study found that for every ten permanent agricultural wage workers, six are paid less than the minimum wage. In the case of temporary workers, virtually all of whom are informal workers, in none of the provinces studied did their earnings reach the minimum monthly wage.

In Brazil, there are many regional differences. In 2006, 70% of the workers employed in sugarcane farming in the Northeast earned less than the minimum wage. In contrast, in Sao Paulo close to 90% overall did, but the percentage was higher among permanent workers than among temporary workers.

The situation is similar in Honduras. In the sector comprising agriculture, forestry and fishing—the sector in which the wage law is least likely to be respected—the percentage of workers receiving less than minimum wage is 66%.

In Costa Rica, 59% of poor rural workers earn less than minimum wage and they work not only in agriculture but also in trade and services.

International experience with regard to minimum wage and poverty reduction is clear. In a number of countries, reductions in poverty have often been the result of increases in the minimum wage and compliance with the relevant laws. In the case of Argentina, the minimum wage increases introduced following the crisis of 2000-2002 had a positive impact in curbing the spread of poverty, but had no negative effects in terms of unemployment and employment insecurity.

A study covering the period 1995-2003 also shows a clearly positive effect: the authors estimate that a 10% real increase in the minimum wage in Brazil during that period reduced poverty by 1.5%. In Costa Rica, the same study shows that if businesses paid the minimum wage set by law, poverty among rural wage workers would decline by 16%.

In Chile, the various governments since the late 1980s have adopted very active wage policies, which entailed major adjustments in the minimum wage. As a result, while in 1990 the minimum wage was about equal to the per capita poverty line, in 2003 it covered 2.5 times the cost of a basic market basket. With regard to indigence, the minimum wage rose from 2.3 times the extreme poverty line in the initial year (1990) to 5.1 times in 2003.

Source: Labour Market Policy and Rural Poverty Project. FAO, together with ECLAC and ILO.

5. Promoting the employment of groups facing specific labour market access barriers: women and young people

A significant portion of employment-related problems (e.g. high unemployment, low productivity and low income) are concentrated among specific groups. These include, as mentioned earlier, young people, who face various challenges, depending on their characteristics, such as level and quality of education and work experience.

Lack of work experience is a typical problem for young recent graduates. Opportunities for young people to gain practical work experience and work/study and first job programmes are important tools in this regard. In some cases, subsidizing the hiring and training of young people may be an approach worth considering. Formal apprenticeship programmes, with clearly defined rights and duties and assured social security coverage for participants, are underutilized tools that can make the transition from school to work more efficient.

Many young people face serious problems as a result of lack of knowledge and information about the world of work, with respect both to production processes and to the operation of the labour market and its institutions. Public employment services, working in a decentralized manner in cooperation with municipal governments, schools and private enterprise, should help to address these problems in order to facilitate the integration of young people into the workforce. A key aspect of this process is to identify the specific needs of both young people and businesses, as potential employers, so that the process is doubly relevant.

Gender inequality in the employment sphere is reflected both in access to employment and in working conditions. The available indicators show, inter alia, that women have lower participation and employment rates and

higher unemployment rates than men and that they are more likely to be employed in low-productivity jobs, have less access to managerial positions and earn lower wages than men with the same qualifications.

To address the inequalities that hinder access to the labour market, especially for women with low levels of education, it is important to strengthen mechanisms that foster an appropriate work-life balance, compensate for inequalities through participation in networks that promote access to jobs, empower women through the provision of knowledge and skills that can open up new job opportunities and effectively address cultural biases that limit the hiring of women for certain occupations.

Box III.5

INTERNATIONAL RECOGNITION OF THE EMPLOYMENT RIGHTS OF WOMEN AND YOUNG PEOPLE

The International Labour Organization (ILO) estimates that the current rate of unemployment among youth, at 14.4%, is double the rate for adults and that this figure does not even take account of the many young people who are underemployed, work under substandard conditions or have short-term contracts or of those who are normally engaged in the informal sector of the economy.

Young unemployed women outnumber young unemployed men. ILO Employment Policy Recommendation (R 122) states that special priority should be given to measures designed to remedy the serious, and in some countries growing, problem of unemployment among young people. The Employment Policy (Supplementary Provisions) Recommendation (R169) lists special measures that should be adopted to assist young people in finding their first job and to ease the transition from school to work, and states that such measures should be carefully monitored to ensure that they result in beneficial effects on young people's employment and are consistent with the conditions of employment established under national law and practice. Another instrument relevant to the promotion of employment of young people is ILO Convention 88 on the Organization of the Employment Service, which states that special arrangements for juveniles shall be initiated and developed within the framework of the employment and vocational guidance services.

Racial discrimination and discrimination against women in relation to the right to work must be eliminated in accordance with the International Convention on the Elimination of All Forms of Racial Discrimination and the Convention on the Elimination of All Forms of Discrimination against Women. Article 27 of the Convention on the Rights of Persons with Disabilities also recognizes the equality of persons with disabilities in terms of the right to work and guarantees certain working conditions. These human rights are supported by a whole series of ILO rules, including the Minimum Age Convention (C138), Convention 182 on the Worst Forms of Child Labour and other ILO instruments in which specific measures are requested for the protection of young workers.

Various international human rights treaties prohibit discrimination as regards income for equal work, while the International Covenant on Civil and Political Rights prohibits forced labour.

As regards gender equality and decent work, the Convention on the Elimination of All Forms of Discrimination against Women and the Platform for Action adopted at the Fourth World Conference on Women state that Governments must adopt a series of measures to guarantee women's rights and access to the economic resources that are essential for reducing poverty. These include:

- Gender equality in all aspects of employment.
- Laws, policies and administrative processes that guarantee the same rights for women as for men in relation to property, contracts and loans, public economic life and also marriage and family life.
- Giving women access to markets, credit and technology.

Source: Office of the United Nations High Commissioner for Human Rights (OHCHR).

One essential instrument for reconciling work and family life and reducing gaps in access the labour market, and in the conditions under which women participate in the labour force, is child care, whether provided in community, commercial or neighbourhood centres (ILO/UNDP, 2009; ECLAC, 2009b). Other measures include legal options and agreements regarding length of the workday, flexible hours and telecommuting —provided that the rights of workers who exercise these options are protected; emergency leave; encouragement and facilitation of increased participation by men in caregiving tasks; and inclusion of the issue of work-life balance in collective bargaining processes with a view to identifying appropriate approaches for specific sectors or companies (Giosa and Rodriguez, 2009). All these policies should take into account inequalities with regard to both paid and unpaid work, especially unpaid care work performed in the home.

Gender equality policies in the labour market help to increase employment rates and —given the large number of women who are wage-earners and the high proportion of households headed by women— also help to lower the number of working poor. Ideally, therefore, all labour policies should incorporate a gender perspective (for

example, the design and implementation of training programmes should take into account the family circumstances and specific needs of women).

Unfair inequalities in occupational paths and wages are largely the result of discrimination, and it is therefore also necessary to adopt and implement legal instruments to combat discrimination.

6. Unemployment insurance and non-contributory protection systems

From the standpoint of the indicators for monitoring progress towards target 1.B, unemployment insurance meets several objectives: (a) it limits the loss of income for a household in the event that one of its members loses his or her job, thus reducing the probability that the household will fall into poverty; (b) it decreases pressure on the unemployed to accept any available job (which often means taking a low-productivity job); and, lastly, (c) it enables the unemployed to extend their job search for a longer time, which tends to lead to better job matching and thus also higher worker productivity in the new job.

Few countries in the region have unemployment insurance schemes, and in those that do the nature of the insurance varies widely. A common argument against the implementation of unemployment insurance is lack of resources but, as pointed out by Berg and Salerno (2008), many countries that currently have unemployment insurance schemes with broad coverage began to introduce them when their per capita income was similar to that of many developing countries today.

The unemployment insurance schemes that exist in the region suffer from numerous problems relating to coverage, level of benefits and redistributive impact. It is important to link them more closely with active labour market policies, integrating them with other protection mechanisms such as indemnities and non-contributory support systems for low-income families (Velásquez, 2010).

Non-contributory protection systems (e.g. family allowances, basic family income schemes, conditional cash transfers, etc.) are social policy instruments that can have an impact on the labour market for several reasons. First, they increase the incomes of the poorest households, thus also increasing the per capita income of poor workers without reducing gross income through mandatory contributions. Second, they can reduce employment rates by providing incentives for young people to stay in school longer and reducing school dropout prompted by the need for youths from poor households to contribute to the sustenance of their families.³⁴ Third, however, poorly designed conditional cash transfer systems can also reduce the supply of labour and lower employment levels when prevailing wages are not sufficiently attractive.³⁵ Fourth, reducing pressure to generate income through protection systems can facilitate a more efficient job search. Lastly, if conditional transfer systems encourage longer school attendance among children and youths who previously were in the care of their mothers or sisters, they encourage greater labour participation by women.

7. Improving the coverage of labour market institutions

It is important for countries to have adequate labour market institutions so that the dynamics of employment and relations among the various stakeholders in the labour sphere can effectively contribute to the harmonization of economic development and social inclusion through employment. It is also important that labour market institutions allow for public representation of the different interests of the various stakeholders. Thus, although it has been recognized that there is no single design for such institutions, it is important that the set of regulations that guide the behaviour of the stakeholders involved—including both regulations established by law and regulations agreed

³⁴ In this case, a reduction of the employment rate is clearly a positive change.

³⁵ Nevertheless, evaluations of such systems in Brazil (*Bolsa Família* programme) and Nicaragua (Social Protection Network) found no significant differences in labour market participation between beneficiaries and non-beneficiaries of these programmes, which suggests that they are not a disincentive to job-seeking.

through negotiation— are conducive to efficient functioning of the labour market and also that they contribute to public representation, social protection and employment for specific structurally weak groups (ECLAC, 2009c).

The coverage of labour market institutions in Latin America and the Caribbean is limited owing mainly to the size of the informal sector and, to a lesser extent, the informality of employment relationships in the formal sector (Tokman, 2008). Increased coverage would improve working conditions, potentially lowering the number of working poor. It could also play a positive role in a virtuous process that would boost labour productivity.

Experience has shown that in order to bring about a large-scale formalization of microenterprises that would lead to an extension of the coverage of labour market institutions, it is not sufficient to have special labour regulations for microenterprises that lower their non-wage labour costs with respect to those incurred under the general labour regulations. Furthermore, such special regulatory frameworks may be problematic from a legal and ethical standpoint because they create two classes of workers with different rights. What is needed, instead, is a set of comprehensive measures that will generate the right combination of costs and benefits to encourage formalization, complemented by an efficient inspection system. One of the main ways of reducing costs is to simplify legal procedures; another is to put in place, sometimes temporarily, special tax and labour provisions. As to benefits, possible measures include increasing access to production development instruments, such as credit, business development services and tools to facilitate market access (Chacaltana, 2009b).

The formalization of microenterprises has the potential to improve their productivity, especially if it is accompanied by productive development policies. Increased productivity, in turn, should facilitate an increase in wages for the employees of these enterprises, thereby helping to reduce the number of working poor. At the same time, it should expand the coverage of labour market institutions, thereby contributing to other aspects of employment quality.

However, the formalization of businesses is not the only tool for expanding the coverage of labour market institutions. Other mechanisms have to do with types of workers and employment relationships other than those that apply to wage workers in private companies or the public sector, such as home-based workers, domestic workers, subcontractors and apprentices, who typically enjoy little coverage from such institutions. Some countries have implemented new regulations to govern some of these employment relationships, especially with a view to preventing abuses associated with the transformation of “standard” employment relationships, but also to expand the rights of disadvantaged groups of workers (Tokman, 2008).

In many countries in the region there is a high level of non-compliance with labour standards, which is often the result of ignorance or abuse or of objective inability to meet the standards (because the costs of compliance would outweigh the benefits for the business in terms of profitability) (Chacaltana, 2009a). It is therefore important to develop an efficient and transparent labour inspection and justice system that will improve compliance with labour standards, especially through information on non-compliance caused by ignorance and through sanctions for violations. Related to the issue of inspection is the efficient functioning of the labour justice system, as speedy and transparent resolution of labour disputes will improve the functioning of labour market institutions as a whole, which will tend to improve labour productivity.

8. Social dialogue, trade unionism and collective bargaining

Social dialogue includes all types of negotiation, consultation and exchange of information between or among representatives of governments, employers and workers on issues of common interest (ILO, 2007b). While the specific ways in which it takes place and is promoted may vary from country to country, at least four basic conditions for effective social dialogue are recognized: (i) respect for freedom of association and collective bargaining; (ii) existence of strong and independent workers’ and employers’ organizations with the technical capacity and the knowledge required to participate in social dialogue; (iii) political will and commitment on the part of all participants in social dialogue; and (iv) adequate institutional support.

Indeed, creating opportunities for social dialogue between stakeholders in the world of work is essential from the perspective of both worker protection and productivity gains. While it is not easy to achieve—as it requires the gradual building of trust among stakeholders as the basis for reaching sustainable agreements, as well as compliance with international commitments on freedom of association and collective bargaining and mutual acknowledgement of stakeholders as representatives of legitimate, albeit divergent, positions—social dialogue is a highly effective mechanism for increasing labour market efficiency without reducing social protection, while also generating benefits for workers (ECLAC, 2010b). Indeed, this was highlighted recently by ILO Member States through the adoption of a Global Jobs Pact aimed at promoting a resumption of production in the post-economic crisis context, with a focus on generation of employment, expansion of social protection and compliance with labour standards, in the framework of which promotion of social dialogue plays a fundamental role (see box III.6).

Box III.6

GLOBAL JOBS PACT PROMOTING WORK AND PROTECTING PEOPLE

Faced with the prospect of a prolonged global increase in unemployment, poverty and inequality and continued duress for enterprises, in June 2009 the International Labour Conference, with the participation of governments, employers' and workers' delegates from the International Labour Organization's Member States, unanimously adopted a "Global Jobs Pact". This global policy instrument addresses the social and employment impact of the international financial and economic crisis. It promotes a productive recovery centred on investments, employment and social protection.

The fundamental objective of the Global Jobs Pact is to provide an internationally agreed basis for policy-making designed to reduce the time lag between economic recovery and a recovery with decent work opportunities. It addresses the social impact of the global crisis on employment and proposes job-centred policies for countries to adapt according to their national needs. Guided by the Decent Work Agenda and commitments made by the ILO constituents in the 2008 Declaration on Social Justice for a Fair Globalization, the Pact proposes a portfolio of policies aimed at: (i) generating employment, (ii) extending social protection, (iii) respecting labour standards, (iv) promoting social dialogue, and (v) shaping fair globalization.

In short, the strategic objective of the Pact is to put investment, employment and social protection at the core of stimulus packages and other relevant national policies to alleviate the crisis' effects. The Pact, and the tripartite global commitment it represents, offers a unique opportunity for countries and the multilateral system to apply its provisions, which are embedded in the ILO Decent Work Agenda.

Source: International Labour Organization (ILO), "Recovering from the crisis: a Global Jobs Pact" (E/2009/L.24-E/2009/SR.35), adopted at the 98th Session of the International Labour Conference, Geneva, 19 June 2009.

As noted above, one of the basic requirements for promoting social dialogue is the existence of labour market institutions that permit and give practical effect to workers' freedom to form unions and engage in collective bargaining. While most countries in Latin America and the Caribbean have ratified the main ILO international conventions on the subject—the Convention concerning Freedom of Association and Protection of the Right to Organise (Convention No. 87, adopted in 1948) and the Convention concerning the Application of the Principles of the Right to Organise and to Bargain Collectively (Convention No. 98, adopted in 1949)—work remains to be done in this area.

First, although plurality of bargaining levels is recognized in virtually all countries of the region, only collective bargaining by enterprises is legally recognized in most cases, and the majority of countries have no specific procedures to facilitate collective bargaining in specific areas of activity, which is a major impediment to collaborative decision-making (Vega, 2004).

A second challenge is to extend the range of issues subject to collective bargaining. Although a broad array of matters are addressed under collective bargaining agreements in the various countries, including wage increases, regulation of working hours and allocation of social benefits, such agreements rarely contain clauses relating to the organization work, occupational health and safety, technological innovations and occupational development.

There is also a need for stronger incorporation of a gender perspective into collective bargaining strategies, and more generally, strengthening of women's participation in representative and participatory labour institutions (Abramo and Rangel, 2005).

Trade unionism and collective bargaining tend to have a positive distributive impact through two mechanisms: (a) unionized workers generally earn higher wages than non-unionized workers, and (b) less skilled workers tend to benefit more from this advantage, thus reducing the wage gap between workers at different skill levels. These mechanisms also tend to reduce the proportion of working poor. However, there may be a trade-off: jobs specifically for low-skilled workers may be lost if higher wages are not accompanied by increased productivity. While several studies have found a positive correlation between level of unionization, worker training and productivity gains, others failed to find such a positive association (ECLAC, 2009a).

It could be argued that in the new international post-crisis scenario, social dialogue, including collective bargaining, has become more important than ever. The ILO has highlighted the importance of promoting social dialogue in times of crisis and recovery as an invaluable mechanism for reducing potential social tensions, designing national policies that reflect national priorities and sustaining the resumption of production while ensuring labour and social protections (ILO, 2009b).

F. CONCLUSIONS

Generally speaking, the countries of Latin America and the Caribbean have made significant progress on all of the indicators established for monitoring progress towards the employment target. Although important gaps remain with respect to labour participation and quality of employment among young people and women, significant headway has been made on both fronts. However, many of these gains were made during the years of strong economic growth in the region, and progress has slowed considerably since the onset of the economic crisis of 2008-2009.

Indeed, the global crisis of 2009 has reversed some positive trends and had major repercussions on the economies and labour markets of Latin America and the Caribbean, particularly as a result of the growth of vulnerable employment and the decline in labour productivity. Another important consideration is that behind the overall progress depicted by the indicators, which are averages, there are marked differences in the figures for the various countries of the region, and these differences need to be addressed.

Beyond the crisis and post-crisis phase, a set of medium- and long-term policies is needed to resolve longstanding structural problems and institutional deficiencies in the Latin American and Caribbean countries, which greatly limit the capacity of their economies to generate full and productive employment and decent work for all. Such policies include measures aimed at promoting the convergence of external and internal production systems so as to narrow the gaps in productivity and quality of employment associated with the structural heterogeneity of the economies of the region; policies for adapting, on an equitable basis, occupational training and development systems to the specific needs of various segments of the production system and labour force; measures aimed at facilitating the sustainable participation of certain groups in the labour market (including policies for promoting work-life balance); and policies designed to strengthen forums for social dialogue and enhance the participation of the various stakeholders in the world of work (for example, by adapting collective bargaining to the emerging needs of the labour environment in the region).

The State must take an active role if progress is to be made in each of these areas, both through the design of long-term development policies that balance productivity increases with better working conditions and through support for forums for the negotiation of agreements between stakeholders in the world of work aimed at achieving a better distribution of income through agreed wage increases. The challenges confronting the countries of Latin America and the Caribbean with regard to the generation of productive, high-quality employment point up, once again, the importance of bolstering the active role of the State and building stronger relationships with civil society actors in order to pave the way towards more egalitarian social development for the entire region in the near future (ECLAC, 2010).

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