

FACT SHEET

Chapters II and V of “*Time for Equality. Closing Gaps, Opening Trails*”

EMPLOYMENT IS THE MASTER KEY TO ELIMINATING INEQUALITY

Inequality in the region is largely due to the labour market, given that the quantity and quality of employment, in addition to real wages, determine the material well-being of most households and are a key element of social cohesion.

Addressing this situation is a requisite for Latin America and the Caribbean to grow more and better. Greater economic growth is not enough; the fruits of this growth must be distributed more equally. This poses the region with the challenge of attaining higher levels of productive investment which in turn may create high-quality jobs. To this aim, the role of macroeconomic policies is essential.

Although salary gaps have decreased recently in some cases and access to social security tends to improve as social protection nets expand, progress in reverting inequality has been clearly insufficient. Significant differences in productivity persist between sectors, raising more obstacles to the spread of technical progress needed for growth.

The share of low productivity sectors in urban employment rose from 47.2% in 1990 to 50.8% in 2002, and, although it dropped back to 47.4% in 2007, the upward trend was halted by the economic crisis in 2009. Weak job creation led average wages in the formal sector to rise only 12.2% during 1990-2008 (0.6%).

Worker income does not suffice to overcome poverty. From 2004 to 2008, 25% of the urban employed and 41% of the rural employed were living below the poverty line, which shows that labour markets lacked the necessary inclusionary power.

Although there is no single route to improving labour market integration and combating labour market inequality, ECLAC suggests a roadmap focused on the following areas:

- Enhancing professional training and coaching instruments, adapted to the needs of different groups of workers.
- Strengthening collective bargaining as a mechanism for building labour covenants that may generate economic growth while protecting workers’ rights.
- Unlocking the distributive potential of the minimum wage, taking into account the specific characteristics of the wage structure in each country.
- Speeding up the institutionalization of labour relations in the formal sector in order to correct the lack of recognition of general labour rights.

Table V.1
 LATIN AMERICA: RELATIVE LABOUR INCOME OF URBAN EMPLOYED WORKING BETWEEN 35 AND 45 HOURS PER WEEK, BY LEVEL OF EDUCATION AND SEX^a
 (Simple average for 15 countries, index: 9-12 years of schooling=100)

Period	Years of schooling	Employed			Wage earners		
		Total	Men	Women	Total	Men	Women
Around 1990	Up to 8	70.1	71.5	62.4	68.1	69.4	60.7
	9-12	100.0	100.0	100.0	100.0	100.0	100.0
	Over 8	182.2	193.0	165.6	177.5	190.6	162.6
Around 2000	Up to 8	68.4	68.7	63.0	69.0	69.5	63.2
	9-12	100.0	100.0	100.0	100.0	100.0	100.0
	Over 8	215.5	229.0	206.3	205.7	219.0	196.8
2006-2008	Up to 8	70.0	70.9	63.8	72.6	72.6	68.6
	9-12	100.0	100.0	100.0	100.0	100.0	100.0
	Over 8	197.7	206.2	195.9	193.3	205.0	189.2

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

^a In order to control for the double effect of the fact that women work fewer hours, on average (higher hourly income and lower total income under part-time contracts), the calculations were limited to a range of “intermediate” working days excluding outlier values.

- Reducing the vulnerability of workers in the informal sector through productive development instruments and non-contributory social protection mechanisms.
- Facilitating the participation in the labour market of groups that generally face greater obstacles, such as women and youths.
- Creating and strengthening mechanisms to protect unemployed workers in highly volatile labour markets.

The recent financial crisis interrupted an auspicious cycle of economic growth and stability begun in 2003. Now, the State has the inalienable duty to ensure a macroeconomic environment that encourages investment, innovation and decent job creation. Macroeconomic policies should help the region's economies grow with less volatility and at rates truer to their potential. To this end, States should:

- Develop countercyclical capabilities to address external turbulence and moderate the social consequences of economic cycles caused by changes in the economic environment.
- Seek a new fiscal agreement that balances the tax burden with the needs for expenditure and public investment for economic growth and general welfare.
- Strengthen the soundness and technical independence of central banks, while expanding their mission so that monetary policy take into account inflation as well as employment levels in decision-making criteria.
- Align monetary and exchange rate policies with fiscal policy so that markets may promote stability and employment while also supporting export development.
- Strengthen public banking, particularly development banks, as a way to foment and democratize access to credit, especially long-term and that used for financing investment.



ECLAC also stresses the importance of constant and stable growth as the only means to address the enormous social inequalities in the region.