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The employment situation in Latin America and the Caribbean

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Crisis and the labour market

Contents

Preface.....	1
Introduction	3
A. Recent trends in the labour markets of the region.....	3
B. Policies to address the crisis: the importance of countercyclical measures and of labour-market policies and social protection in Latin America.....	7
C. Conclusions and outlook	10
Bibliography	11
Annex.....	13

“This initial bulletin, produced jointly by ECLAC and ILO, seeks to review the ways in which the crisis is affecting the region’s labour markets.”

Preface

Since the financial and economic crisis began to affect the real economy and spread throughout the world, the region’s economies have been faced with a situation where data on employment and labour reflect the real stories of millions of women and men for whom the future has become uncertain.

When these problems began to appear, the International Labour Organization (ILO) warned that the world faced a global employment crisis whose consequences could lead to a social recession.

As the Economic Commission for Latin America and the Caribbean (ECLAC) has pointed out, the outbreak of the crisis put an end to a five-year period of sustained growth and falling unemployment. As early as the second half of 2008, the figures began to reflect slowing economic growth, while a downward slide began in the labour market.

This initial bulletin, produced jointly by ECLAC and ILO, seeks to review the ways in which the crisis is affecting the region’s labour markets. Amidst a situation characterized by shocks and uncertainty, governments and social partners must have the inputs needed for designing public policies to increase the population’s levels of employment and well-being. It is planned to produce two further bulletins by January 2010, in order to measure the impact of the crisis on employment and provide an input to the process of defining the best public policies to reverse its consequences.

The bulletin reviews the most recent available indicators and analyses them in order to establish trends and detect variations. It provides statistics for the first quarter, estimates for the rest of 2009, and a review of policies announced by the Governments.

In 2008, the last year of the growth cycle, the region’s urban unemployment stood at 7.5%. According to economic growth forecasts for 2009, the average annual urban unemployment rate for the region will increase to between 8.7% and 9.1%; in other words, between 2.8 million and 3.9 million additional people will swell the ranks of the unemployed.

Data for the first quarter of 2009 already confirm that the crisis is hitting employment in the region. Compared with the first quarter of 2008, the urban unemployment rate was up by 0.6 percentage points, representing over a million people.

Work will continue until September 2009 on the preparation of a new report on the employment situation, using data updated to the first half of 2009. This will provide a picture of the region's employment situation, so that growth and employment projections can be adjusted for 2009 as a whole.

Strategies for dealing with the crisis must have jobs and income protection as their central goals. Policies are moving in that direction in Latin America and the Caribbean and, if they are effective, an even greater worsening of the situation may be avoided.

Labour produces wealth, generates consumption, keeps economies functioning and is a key factor in seeking out the way to more sustainable and equitable growth once the crisis is past.

Jean Maninat
Director
ILO Regional Office for Latin America
and the Caribbean

Alicia Bárcena
Executive Secretary
Economic Commission for Latin America
and the Caribbean (ECLAC)

Introduction

Ever since it became clear that the Latin American and Caribbean region was not immune from the global economic crisis, the Economic Commission for Latin America and the Caribbean (ECLAC) and the International Labour Organization (ILO) have warned that the sharp decline in growth would have a variety of consequences for the labour market and, consequently, the well-being of the vast majority of the Latin American population.¹ Lower economic growth reduces labour demand and leads to a decline in employment rates, raising the number of unemployed and the open unemployment rate.

This also has a negative impact on the quality of employment. Sluggish demand for labour by formal enterprises and the lack of social-protection networks to allow workers to deal with unemployment lead many to seek alternative sources of income in informal activities. Some enterprises are believed to be resorting, in part, to informal labour contracts in order to cut costs. Nevertheless, real wages are not expected to decline greatly, given that the crisis is unfolding against a backdrop of decreasing inflation. In this respect, the current crisis is unlike previous ones, which were characterized by sharp price increases. Nonetheless, the economic crisis will affect labour markets in various ways: a large number of jobs are expected to be lost, particularly good jobs, making it even more difficult for the region to attain its goal of decent employment for all.

As discussed in the first section of this bulletin, the crisis began to weaken labour variables in 2008, with the initial impact being felt in different countries at different times and a highly generalized deterioration starting in the third quarter of 2008. Data for the first quarter of 2009 indicate that this trend is continuing and even worsening, with a year-on-year increase of 0.6 percentage points in the urban unemployment rate.

Although the region is not immune from the international crisis, it is better prepared to face its consequences than it was in previous periods, owing to the cautious policies followed during the economic upswing. There is broad agreement that the available manoeuvring room should be utilized to implement countercyclical fiscal and monetary policies, especially those expected to have an impact on employment.² Nevertheless, in many countries there is little room for expansionary fiscal policies, which underscores the importance of international cooperation.

In light of the gaps in social protection in most countries, ECLAC and ILO have also stressed the need to channel resources to protect the most vulnerable social groups. There is also broad agreement on the importance of labour-market policies to protect workers, increase opportunities for job-seekers and prevent a further deterioration in the quality of employment. The second section of this bulletin describes the employment and social-protection policies introduced in this context in the countries of the region.

A. Recent trends in the labour markets of the region

In the first quarter of 2009, economic activity in the region continued to cool down. Indeed, according to seasonally adjusted measurements, by the fourth quarter of 2008, regional GDP was beginning to decline and it continued to do so in the first quarter of 2009. One of the most obvious signs of this was the sharp contraction in industrial output, which was compounded by the ensuing decline in construction-sector activity. As was to be expected, this had a strong impact on employment.

This bulletin presents information for the countries of Latin America that have current and relatively up-to-date labour statistics making it possible to monitor the performance of the labour market. Given the coverage of the countries reviewed here, the data presented below reflect, reasonably well, recent developments in the region's labour market overall.

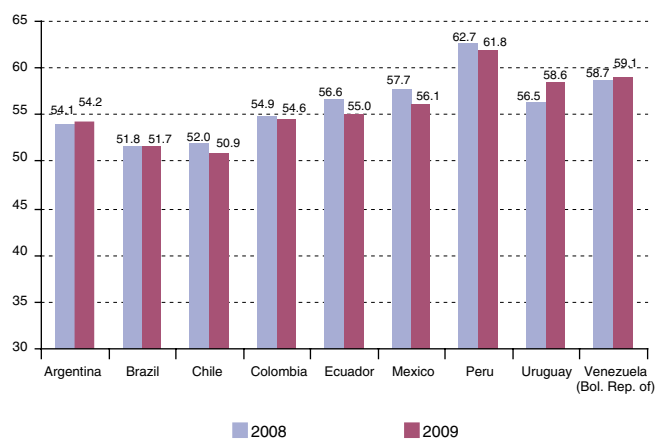
In the current context, employment levels are worsening. In most countries the employment rate has

declined—in some cases (Brazil and Colombia) moderately, while in others (Chile, Ecuador and Mexico) more sharply, that is, more than one percentage point. Only in Uruguay and Venezuela (Bolivarian Republic of) and, to a very small degree, Argentina has the employment rate risen on a year-on-year basis (see figure 1).

In countries that provide monthly employment figures, seasonally adjusted employment rates have fallen sharply, starting in May 2008 in Mexico, in July 2008 in Peru (despite a recent slight recovery), in September 2008 in Chile and in November 2008 in Brazil (see figure 2).³ Colombia experienced a more moderate decline between October 2008 and January 2009, and also saw somewhat of a recovery in recent months. In Uruguay unemployment declined moderately after November 2008, although it remained higher than in the previous year. Lastly, in the Bolivarian Republic of Venezuela, the seasonally adjusted employment rate remained stable

during the period in question, thanks, in part, to the sharp increase in public-sector employment.

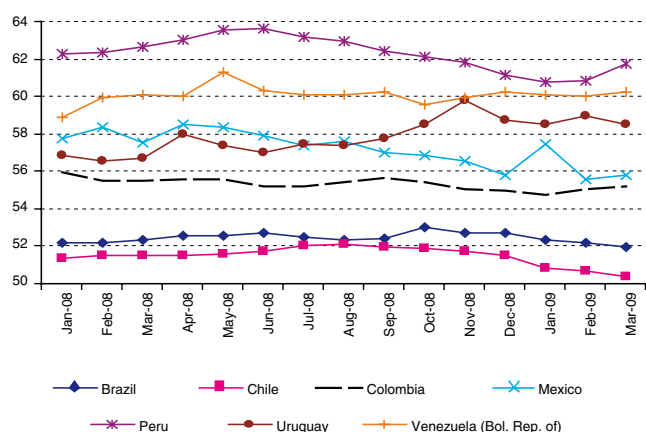
Figure 1
LATIN AMERICA (9 COUNTRIES): URBAN EMPLOYMENT RATE,
FIRST QUARTER OF 2008 AND 2009^a
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of official figures from the relevant countries.

^a For Chile and Venezuela (Bolivarian Republic of), national totals are used. For Argentina, an estimate is used.

Figure 2
LATIN AMERICA (7 COUNTRIES): URBAN EMPLOYMENT RATE,
SEASONALLY ADJUSTED CHANGE, JANUARY 2008
TO MARCH 2009^a
(Percentage of working age population)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of official figures from the relevant countries.

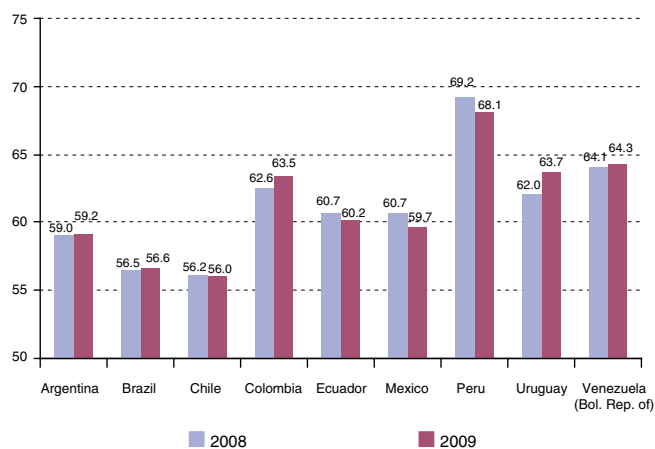
^a For Chile and Venezuela (Bolivarian Republic of), national totals are used.

In a context of economic slowdown, job elimination and lack of labour demand, households are left with two options: They can try to work more hours, in order to compensate for their lost income (due to unemployment or declining wages or other work-related income), or they

can withdraw a family member of working age from the labour market, if they believe that the chances of finding suitable work are too low to justify the cost of attempting. In general, low-income households adopt the former strategy, while those with higher incomes adopt the latter; hence, rates of unemployment or informal employment (or both) could rise more among low-income households. As it is difficult to predict which strategy will predominate at the aggregate level, attempts to project the participation rate and, hence, the unemployment rate over the short term are also fraught with difficulties.

Indeed, the performance of countries for which information is available has been mixed: on a year-on-year basis, the overall participation rate rose in Colombia, Uruguay and, to a lesser extent, in Argentina and Venezuela (Bolivarian Republic of), while it declined in Ecuador, Mexico, Peru and, to a lesser extent, Chile and remained stable in Brazil (see figure 3).

Figure 3
LATIN AMERICA (9 COUNTRIES): URBAN PARTICIPATION RATE,
FIRST QUARTER OF 2008 AND 2009^a
(Percentages of the overall participation rate)

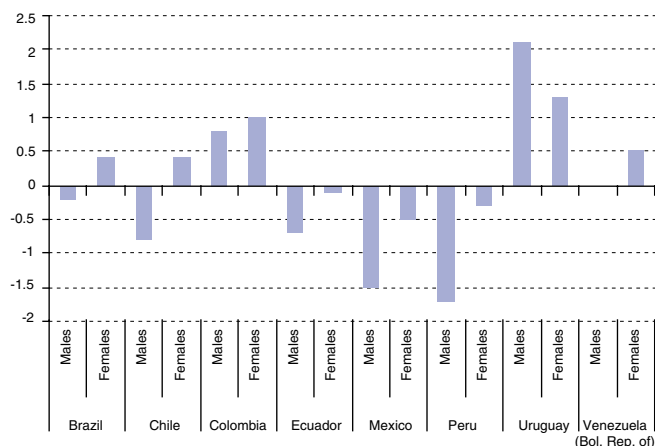


Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of official figures from the relevant countries.

^a For Chile and Venezuela (Bolivarian Republic of), national totals are used. For Argentina, an estimate was used.

Changes in the labour force participation rate were very different between men and women. In all countries, with the exception of Uruguay, the gap between the labour force participation rate of men and that of women continued to narrow, in keeping with a long-term trend. The reason for this was that the rate among women rose, while that of men remained unchanged (Brazil, Chile and Venezuela (Bolivarian Republic of)), or because the rate rose more in the case of women than in that of men (Colombia), or because it declined less for women than for men (Ecuador, Mexico and Peru; see figure 4).

Figure 4
LATIN AMERICA (8 COUNTRIES): CHANGE IN THE PARTICIPATION RATE, BY GENDER, FIRST QUARTER 2009 COMPARED WITH FIRST QUARTER 2008^a
(Percentage points)

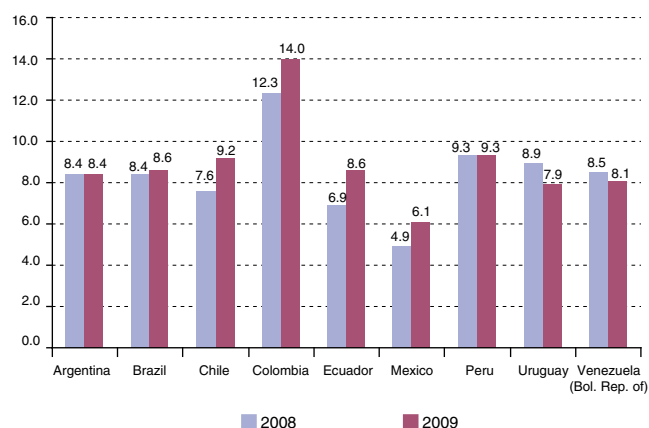


Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of official figures from the relevant countries.

^a For Chile and Venezuela (Bolivarian Republic of), national totals are used.

As a result of changes in the employment rate and the participation rate, open unemployment rose in most countries, with the exception of Uruguay and Venezuela (Bolivarian Republic of), where a year-on-year improvement was seen in 2009, and in Argentina and Peru, where the unemployment rate remained unchanged from 2008 to 2009 (see figure 5).

Figure 5
LATIN AMERICA (9 COUNTRIES): URBAN UNEMPLOYMENT RATE, FIRST QUARTER OF 2008 AND 2009^a
(Percentages)

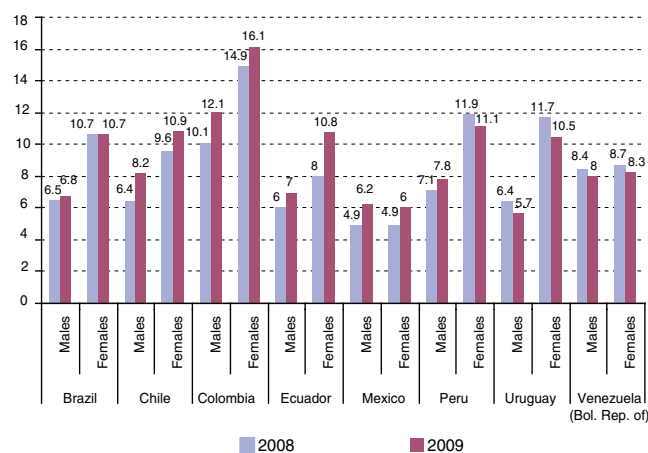


Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of official figures from the relevant countries.

^a Figures for Colombia and Ecuador include hidden unemployment. For Chile and Venezuela (Bolivarian Republic of), national totals are used.

Data for the first quarter of 2009 indicate that the higher rate of unemployment has affected both men and women. Nevertheless, during this period, the sectors that were hit the hardest by the crisis were those that predominantly hire men. In Brazil, Chile, Colombia and Mexico, urban unemployment rose more among men than among women, while the gap between the two groups in terms of participation in the labour market narrowed. Only in Ecuador did the unemployment rate rise more among woman than among men. Nevertheless, in all countries the unemployment rate continues to be significantly higher among women than among men (see figure 6).

Figure 6
LATIN AMERICA (8 COUNTRIES): URBAN UNEMPLOYMENT RATE, MEN AND WOMEN, FIRST QUARTER OF 2008 AND 2009^a
(Percentages)

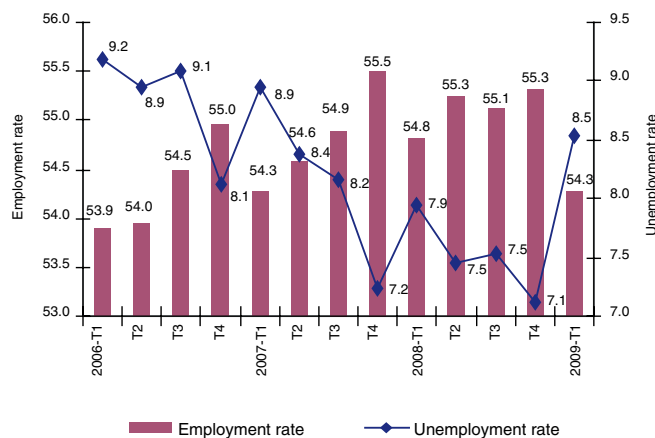


Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of official figures from the relevant countries.

^a For Chile and Venezuela (Bolivarian Republic of), national totals are used.

In the region, the employment rate normally rises as the year progresses. This was the case in 2008, although the increase was much less pronounced than in previous years. Indeed, between the second and third quarter of 2008, the employment rate declined slightly, and, although in the fourth quarter it posted its usual recovery, the gain was relatively weak; hence, the employment rate was lower in the fourth quarter of 2008 than in the same period one year earlier. Moreover, the decline in the employment rate in the first quarter of 2009 was much sharper than in previous years: the year-on-year loss was half of a percentage point. The unemployment rate followed a similar trend. In the first quarter of 2009, for a group of nine countries, it stood 0.6 of a percentage point higher than in the same period the year before, which represents more than a million people. At the regional level, the change in participation in the labour market mitigated the impact of the lower employment rate on the unemployment rate (see figure 7).

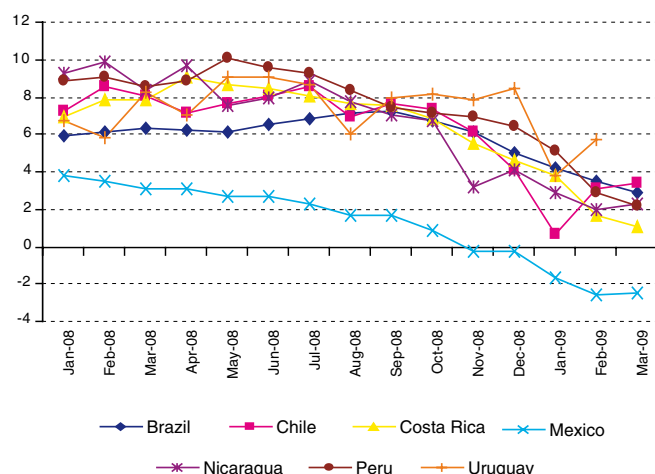
Figure 7
LATIN AMERICA (9 COUNTRIES): EMPLOYMENT AND UNEMPLOYMENT RATES, FIRST QUARTER OF 2006 TO FIRST QUARTER OF 2009
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of official figures from the relevant countries.

The economic slowdown in the region is also reflected in the trend in employment covered by social security.⁴ Employment with such coverage had grown at a high rate in recent years, but from the third and fourth quarters of 2008, the year-on-year rate of growth began to decline significantly (see figure 8).⁵ Nevertheless, it should be noted that only Mexico saw an absolute decline in employment covered by social security.

Figure 8
LATIN AMERICA (7 COUNTRIES): RATE OF GROWTH OF EMPLOYMENT COVERED BY SOCIAL SECURITY, JANUARY 2008 TO MARCH 2009
(Percentages)



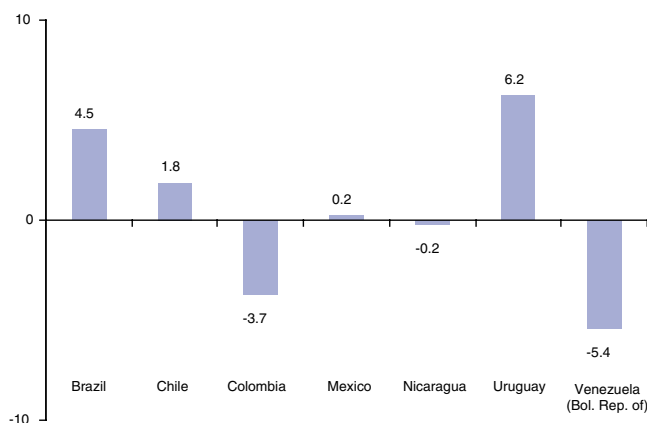
Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of official figures from the relevant countries.

^a Only includes those countries for which data are available for the first few months of 2009.

Although more information is still required, declining labour demand may be expected to translate into increased activity in the informal sector, both because of the growth of that sector and because for some positions in formal enterprises informal labour relations will have been established.

Trends in real wages for formal employment have been mixed. In some countries, such as Brazil and Uruguay, lower inflation and higher minimum wages have contributed to higher average real wages. In Chile, the increase was smaller because of weak labour demand and higher unemployment. In other cases, real wages have remained unchanged or have even fallen as a result of relatively high inflation, among other factors, especially in the Bolivarian Republic of Venezuela (see figure 9).

Figure 9
LATIN AMERICA (7 COUNTRIES): INCREASE IN AVERAGE REAL WAGES IN THE FORMAL SECTOR, FIRST QUARTER OF 2009^a
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of official figures from the relevant countries.

^a Nominal wages deflated by each country's official consumer price index. For Colombia and Mexico, the figures are for the first two months of the year.

In sum, the global crisis is having a detrimental impact on the region's economic performance. The relatively buoyant economic growth and improved labour indicators enjoyed by the region since 2003 came to an abrupt end, although the impact on the different countries has varied depending on specific factors, such as the degree of their financial and, above all, trade integration and the prior strength of their economies and labour markets. This turnaround from the growth period has begun to translate into lower employment. The statistical information analysed indicates that the impact on employment began to be seen at different points last year and became clearer in the first quarter of 2009. In these first three months, the employment rate declined by half of a percentage point in a group of nine countries, while the unemployment rate rose by 0.6 of a percentage point.

B. Policies to address the crisis: the importance of countercyclical measures and of labour-market policies and social protection in Latin America

This section briefly examines the different macroeconomic and labour policies employed in the region in response to the labour-market crisis. The first part provides an overall description of the set of measures, while the second

analyses in greater depth the recent experiences in applying measures for the protection of the unemployed, in terms of both labour-market and social policy.

1. An overview of employment and social-protection policies recently implemented in Latin America

The countries of the region have reacted to the current crisis by implementing various public policies to alleviate the burden of the financial and economic adjustment on labour markets. Some of these measures are novel while others have buttressed existing policies.

First, several countries are closely coordinating their fiscal and monetary countercyclical policies to minimize the impact of the adjustment on employment and wage levels. Indeed, the aim of the proposed increase in public expenditure is not merely to offset the reduction in private investment but to do so by carrying out shovel-ready, labour-intensive projects.

Second, more —and better— policies targeting the labour market are being carried out. Of special interest is the growing use of unemployment insurance (rooted in social security programmes), which is currently being combined with active labour-market policies. Since the outbreak of the crisis, countries that offer employment insurance have generally refocused it, either to extend the period of eligibility or to broaden the pool of potential beneficiaries or to combine it with training and employment-protection policies. The next section will examine in greater depth this coordination of labour-market and social-protection policies intended to serve the unemployed.

Third, the longest-standing active labour-market policies, such as labour intermediation and worker training, continue to be widely used, although in new ways made possible by modern technology, including the Internet. In terms of labour intermediation, certain countries, such as Honduras and Mexico, are implementing policies for migrant workers —Honduras for its emigrants working in the United States and Mexico in support of its citizens who wish to work in the tourism sector in Canada (Canada-Mexico Labour Mobility Pilot Project).

Vocational education and professional training have attracted renewed interest in most countries, for the benefits they provide in terms of both enhancing worker employability and encouraging investment in human capital. Both have been improved and greater emphasis is now placed on

meeting the actual needs of skilled workers —by focusing on the need for their labour— rather than on merely offering training. The two have also been combined with labour-intermediation actions and direct employment-creation policies. As noted below, since the start of the current crisis several countries have introduced training as an instrument for avoiding unemployment all the while making workers more employable. In addition, job retraining programmes have been introduced —for example, in Peru— for persons who have been laid off because of the crisis. In some countries, such as Costa Rica, one proposal for dealing with the crisis calls for keeping students in the school system for longer by providing financial assistance to their families. The purpose of such policies would be to avoid the premature entry of these potential workers into a labour market in which demand is already depressed, with the consequent increase in the unemployment rate.

Fourth, direct and indirect government job-creation policies have continued to play a countercyclical role. For the design of these policies, successful past experiences have been taken into account, such as the emergency programmes of the 1960s and 1980s, which were part of structural-adjustment and stabilization policies. The purpose of creating direct emergency employment was to provide income, rather than employment per se, for the most vulnerable households and to alleviate adverse economic conditions. The programmes have generally remained in place in the largest countries, despite the relative improvement in employment in the first half of the 2000s (Chile, Colombia, Mexico and Peru). Chile has trigger clauses by which these programmes are reactivated when geographic locations are determined to have an open unemployment rate of 10% or higher. Some countries have adapted these programmes to local conditions, including Colombia with the Emergency Employment Programme for Displaced Persons, and several countries have made more resources available for these programmes in response to the crisis.

One active policy for indirect employment creation in the private sector that is beginning to be used consists in

providing a subsidy as part of macroeconomic government policies agreed by consensus between the public and the private sector. This is the case of the ProEmpleo programme in Chile. The hiring subsidy is being combined with labour-intermediation efforts—through public labour-intermediation offices—and training opportunities aimed at enhancing beneficiaries' employability.

Fifth, in response to an in-depth analysis of unemployment, since the 1990s several programmes have been carried out to address joblessness among young people, who normally have the highest unemployment rates. Examples of such programmes are Mi Primer Empleo, in Argentina, Honduras and Mexico, and ProJoven, in Brazil, Chile, Colombia, Peru, Uruguay and Venezuela (Bolivarian Republic of). In addition, employment programmes have been introduced for low-income women taking into account their

particular needs either as heads of household (Argentina and Chile) or as wage earners (through ProMujer, in Uruguay), while other programmes have been introduced to develop labour skills (Chile). Although these programmes are not new, they have been given renewed emphasis in response to the current crisis and have been strengthened through greater fiscal spending as part of countercyclical macroeconomic measures targeting unemployment.

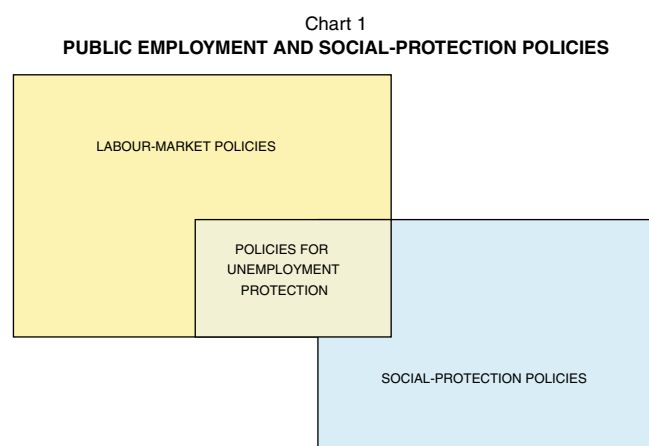
In addition to low-income women and young people, other important groups of at-risk workers are own-account workers with few skills and a low educational level and dependent workers employed in micro-, small and medium-sized enterprises. In response to the crisis, traditional microenterprise-support programmes have been strengthened, to address requirements whether economic or related to social inclusion.

2. Coordination of labour-market and social-protection policies designed to meet the needs of the unemployed

Responses intended to protect the unemployed from the full impact of the crisis must combine labour-market policies with social-protection policies. Nevertheless, the content and scope of these policies vary greatly among countries. Indeed, the responses among the countries of the region have different overtones, as described below.

In previous crises, some countries, especially those with the highest incomes, introduced contributory unemployment insurance. In general, these insurance programmes have operated independently, rather than in conjunction with other labour-market policies, and have emphasized monetary transfers as a substitute for employment income. The most recent initiatives, particularly in Chile, have sought to create opportunities for greater complementarity with training. In other countries, the implementation of contributory unemployment insurance has been restricted because of the high degree of labour-market informality and instability, which limits the possibility of creating entitlements to these benefits in the normal manner. Hence, in countries such as Argentina, steps have been taken to design non-contributory policies and programmes for unemployed persons who, for the most part, had worked in the informal sector.

One interesting initiative, which has drawn much attention in the current crisis, consists of efforts to use the resources and institutional framework of unemployment insurance and related programmes to prevent the termination of employment relationships. Given that the social consequences of layoffs go beyond the simple cost of providing severance pay—because laid-off workers lose work skills and are less likely to rejoin the formal labour market—some countries use, or have designed, programmes to help companies retain workers.



Source: F. Bertranou and J. Paz, *Políticas y programas de protección al desempleo en Argentina*, Buenos Aires, International Labour Organization (ILO).

As shown by some relevant national experiences, these programmes have taken different forms. In Argentina, in 1991, contributory unemployment insurance was introduced as part of an amendment to the employment law. However, the programme's coverage has been limited by its contributory nature. In the wake of the 1995 and 2001 crises, employment programmes (such as Trabajar) and other transfer programmes (Jefes y Jefas) catered for the income needs of persons who had previously worked in the informal sector. Currently, beneficiaries of contributory insurance are a small proportion of the beneficiaries of all programmes, given that the formal-sector unemployed are a limited subset of all unemployed. The Jefes y Jefas and Training and Employment Insurance (Seguro de Capacitación y Empleo, SCE) programmes have the largest number of

beneficiaries. In light of the crisis, authorities have extended the period of coverage of the SCE and are considering providing unemployment-insurance coverage to beneficiaries whose coverage period has expired. As noted above, other relevant programmes introduced in response to the crisis, but aimed at formal workers in the auto industry and other hard-hit sectors, seek to prevent layoffs. One such programme is the Productive Recovery Programme, which partially subsidizes payrolls in Argentina.

The contributory unemployment insurance programme introduced in Brazil in 1988 has the largest number of beneficiaries in Latin America. On average, these beneficiaries received, in 2008, a replacement rate equivalent to 1.3 times the minimum wage. Nevertheless, only registered wage earners (22% of the economically active population) are covered, and unemployment benefits may be received for from three to five months. In March 2009, benefits were extended for an additional two months for workers in the sectors most adversely affected by the crisis (mining, steel and iron) who lost their jobs starting in November. Also being analysed is the possibility of extending eligibility to include workers with less time on the job and domestic workers and of providing unemployment insurance to all workers who have lost their jobs.

Another countercyclical social-protection measure in Brazil has been the Bolsa Familia programme, which provides financial assistance (between 20 and 182 reais per month) to 11.1 million families, in exchange for a commitment to meet certain requirements regarding their children's education and health. In response to the crisis, the Government broadened the eligibility of the programme to an additional 1.3 million households. Similarly, Colombia is protecting what it calls "social investment," that is, social spending as a percentage of the fiscal budget, and has thus increased the coverage of its Familias en Acción programme to include 1.5 million new beneficiaries. Other countries of the region are implementing social policies that target at-risk households. These policies include monetary subsidies and health- and educational-services benefits for poor families (Chile), a 15% increase in pensions under the non-contributory system (Costa Rica), Solidaridad (Dominican Republic), Red solidaria y Alianza por la familia (El Salvador), Mi familia progresiva (Honduras) and conditional transfers (Paraguay).

In the early 1980s, Chile responded to an unprecedented, severe unemployment crisis by launching massive emergency employment programmes. The economy and the labour-market underwent a remarkable change in subsequent years, and following the Asian crisis in the late 1990s, the authorities introduced contributory unemployment insurance in 2002. The Government elected a mixed system that combines individual unemployment savings accounts with a solidarity scheme funded with taxes and employer contributions. Given that the coverage of this fund was limited because

of its contributory nature and strict eligibility requirements, a reform submitted to Congress in 2008 was recently implemented. Workers with fixed-term contracts are now eligible to receive solidarity benefits. In addition, benefits have been expanded and eligibility requirements have been relaxed. Also, the number of months of coverage of benefits was increased during periods of severe unemployment. As a result of the crisis, in May additional measures were proposed that combine unemployment insurance with other labour-market policies. The most widely publicized of these measures allows for temporary worker layoffs and leaves of absence for training. These benefits are funded by workers through deductions from the insurance funds (individual account and solidarity fund) and employer contributions. These measures to retain workers have been accompanied by improved labour-intermediation services.

The most noteworthy development in Mexico is the creation of the Employment Preservation Programme for workers of companies affected by technical stoppages. The programme will run from 1 February to 31 July 2009 and provide support consisting of up to one minimum wage per worker to the companies affected by technical stoppages. Initially it was estimated that the programme would benefit some 400,000 workers in the sectors most exposed to the crisis, but problems have arisen stemming from the complexity of applying for support, the length of time companies must wait to receive it and the determination of which sectors are covered. In addition, programmes were introduced to provide reductions on and exemptions from social security contributions for micro- and small-sized enterprises.

In Uruguay, access to unemployment insurance has been broadened by relaxing requirements on length of employment and the number of contributions made and increasing the number of months of eligibility when GDP declines for two consecutive quarters. The measures were designed to increase access to unemployment insurance—which, historically, has covered less than 25% of the unemployed—during a period in which the Uruguayan economy was beginning to slow down. The recent creation of the National Institute for Employment and Professional Training will make it possible to combine unemployment insurance with job-placement and training programmes. In addition to these measures, unemployment insurance has been made available when companies have curtailed their production by 25%. In such cases, the system is activated after acceptance by both employers and unions. Moreover, there are unemployment-insurance programmes for the construction sector, direct-employment programmes for at-risk groups and tax- and social-security-payment exemption programmes for companies.

The most noteworthy national policies for protecting the unemployed in the region include institutional arrangements that improve access to unemployment insurance, which

have been complemented with training programmes, shorter workdays and production curtailments. In addition, efforts have been made to allow workers to keep their jobs, through direct subsidies to companies, tax or social-security exemptions, or both, and shorter workdays. Hence, systems have been improved through agreements based on consensus among, and the approval of, employers and workers.

Also significant is the complementarity between labour-market policies and social-protection policies as regards institutional design. The combination of programmes seeks not only to protect workers but also to allow them to increase their human capital and improve their future employability, or at least to avoid a decline in these assets due to unemployment and employment termination. In addition, the policy mix has made it necessary to improve coordination among the various agencies involved or to strengthen coordination by resorting to new mechanisms created for this purpose.

Despite the numerous public-policy responses, progress still needs to be made in various areas. The combination of policies intended to expand the use of unemployment insurance or other mechanisms entails enhancing the ability of labour institutions to offer labour-

intermediation services and training. In this respect, certain constraints in terms of the availability of such services must be addressed. Employment offices, although they play a fundamental role, are insufficient both in terms of the number of offices and the quality of the services that they provide. In addition, institutional agreements have been reached on improving access to unemployment insurance and on training and the coverage of training. Yet numerous groups of persons employed in the formal sector, albeit on a casual basis, have been excluded. More importantly, workers in the informal sector, who are not eligible for such benefits and only have access to non-contributory programmes, have also been excluded. This situation is exemplified by domestic workers, who account for 14% of total female employment in the region. On the other hand, direct-transfer programmes have become a highly useful tool, providing unemployment compensation to an enormous segment of the population. Nevertheless, the challenge for the future is to ensure that these programmes can operate without substantially reducing the labour supply, hence making it possible to more effectively develop labour-market programmes designed to increase the employability of informal workers. It is also important to bear in mind that policy options are not gender-neutral given the disparities in employment opportunities for men and women.

C. Conclusions and outlook

After five years of sustained growth in the Latin American economies, the global crisis began to affect the region in the fourth quarter of 2008. For labour-markets, this has translated into a declining demand for labour and higher unemployment. Hence, it is feared that much of the progress made in recent years in lowering unemployment and creating decent jobs will be lost.

The data presented in this bulletin show that in the first quarter of 2009, more than a million jobs were lost in the region. The economies in the region are not expected to continue to contract in the second half of the year, although there is a good deal of uncertainty as to when the downward trend will be reversed. New estimates point to a 1.7% decline in the region's economic output in 2009 compared with the level of activity in 2008. In this context, further job losses are to be expected together with growth in the informal sector and rising unemployment rates.

ECLAC and ILO estimate that the average regional urban unemployment rate for the year will rise from 7.5% to between 8.7% and 9.1%, depending on the behaviour of the labour supply of households. In absolute numbers, this means that between 2.8 million and 3.9 million people

could join the 15.9 million urban workers who were already unemployed in 2008.

An update on the labour situation, incorporating data available in the first half of the year, will be at an advanced stage of preparation towards the end of September 2009. This report will monitor labour indicators in the region and will contain revised forecasts for growth and employment for 2009 as a whole.⁶

The depth and duration of the crisis are not yet known, nor is the effective impact on growth and employment of the measures for dealing with it. Nevertheless, given the difficulty in finding wage employment, the working-age population is expected to engage in informal activities at home or to work independently in low-productivity and low-income activities merely as a means of subsistence. Likewise, the formal sector is expected to introduce more informal contracts in order to reduce labour costs, with concomitant adverse consequences in terms of lack of job security for a growing number of workers and a decline in social protection. The crisis will have a different effect on the behaviour of different groups of the working-age population. In many low-income households, it is likely to push many non-active members,

mainly women, to search for work or to take part in work-related activities. It could also have negative consequences in terms of the incidence of child labour.

One encouraging development is that the region is better prepared to face the hardships caused by the crisis, and Governments are adopting countercyclical policies in tandem to mitigate the negative repercussions of the downturn and stimulate aggregate demand. In any event, it is recognized that many countries of the region may have limited room for expansionary policies, which underscores the overarching need for international cooperation.

As a result of the recurring crises faced by the region over the last three decades, societies have made significant strides in institution-building. There is consensus on the need to manage macroeconomic policy in a responsible manner, and countries have become aware that economic growth is an essential, albeit insufficient, condition for creating employment or addressing the deep inequalities that beset

the region. The importance of investment in human capital for raising productivity and international competitiveness is now recognized, and democracy has been strengthened through greater social cohesiveness, along with the contribution of labour and social protection. Lastly, tripartite initiatives have arisen stemming from dialogue among social actors (employers and workers) who seek to deal with the crisis, while ensuring that the costs of the adjustment do not fall disproportionately on workers, in the form of higher unemployment, lower compensation and a weakening of other labour rights.

Consequently, the ILO Decent Work Agenda is an essential component of the response to the crisis. It is precisely in economic situations such as the current one that social protection becomes a key to mitigating the effects of a crisis on workers and their families. Moreover, social dialogue is a powerful tool for agreeing on socially legitimate, long-term solutions.

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Notes

¹ See ECLAC (2008) and OIT (2008).

² For an updated review of the policies announced or implemented in this context, see ECLAC (2009).

³ Because of its close integration with its major trading partner, Mexico felt the impact of the crisis, which had originated in the United States, sooner than the countries of South America. The outbreak of the type A influenza (H1N1) is expected to have a further negative impact on employment in Mexico, especially because of the virus' consequences for tourism.

⁴ Refers to the number of wage earners who contribute to the social-security systems in Chile (pension-fund managers, or AFP), Costa Rica (Caja Costarricense de Seguro Social, CCSS), Mexico (Instituto Mexicano del

Seguro Social, IMSS), Nicaragua (Instituto Nicaragüense de Seguridad Social, INSS) and Uruguay (Banco de Previsión Social, BPS); wage earners covered by labour and social laws (Brazil); and wage earners employed in enterprises with 10 or more workers (Peru). Although these data are not clear-cut indicators of labour demand by formal enterprises, they may be considered suitable proxy values.

⁵ In México, this slowdown had begun earlier.

⁶ The differences in unemployment forecasts published by various organizations are attributable to the different economic growth scenarios used therein, as in the case of recent ILO estimates (2009).

Annex

Table A-1
LATIN AMERICA AND THE CARIBBEAN: URBAN UNEMPLOYMENT, 2000-2008
(Average annual rates)

Country	2000	2001	2002	2003	2004	2005	2006	2007	2008
Latin America									
Argentina ^a	15.1	17.4	19.7	17.3	13.6	11.6	10.2	8.5	7.9
Bolivia (Plurinational State of) ^b	7.5	8.5	8.7	...	6.2	8.2	8.0	...	...
Brazil ^c	7.1	6.2	11.7	12.3	11.5	9.8	10.0	9.3	7.9
Chile ^d	9.7	9.9	9.8	9.5	10.0	9.2	7.8	7.1	7.8
Colombia ^e	17.3	18.2	17.6	16.6	15.3	13.9	12.9	11.4	11.5
Costa Rica ^f	5.2	5.8	6.8	6.7	6.7	6.9	6.0	4.8	4.8
Cuba ^d	5.4	4.1	3.3	2.3	1.9	1.9	1.9	1.8	1.6
Dominican Republic ^m	13.9	15.6	16.1	16.7	18.4	17.9	16.2	15.6	14.1
Ecuador ^g	9.0	10.9	9.2	11.5	9.7	8.5	8.1	7.3	6.9
El Salvador ^f	6.7	7.0	6.2	6.2	6.5	7.3	5.7	5.8 ^h	...
Guatemala ^f	2.9	...	5.1	5.2	4.4	...	...	...	...
Honduras ^f	...	5.5	5.9	7.4	8.0	6.1	4.6	3.9	...
Mexico ⁱ	3.4	3.6	3.9	4.6	5.3	4.7	4.6	4.8	4.9
Nicaragua ^j	7.8	11.3	12.2	10.2	8.6	7.0	7.0	6.9	...
Panama ^k	15.3	17.0	16.5	15.9	14.1	12.1	10.4	7.8	6.5
Paraguay ^f	10.0	10.8	14.7	11.2	10.0	7.6	8.9	7.2	...
Peru ^l	7.8	9.2	9.4	9.4	9.4	9.6	8.5	8.5	8.4
Uruguay ^f	13.6	15.3	17.0	16.9	13.1	12.2	11.4	9.6	7.9
Venezuela (Bolivarian Republic of) ^m	13.9	13.3	15.9	18.0	15.3	12.3	10.0	8.4	7.3
The Caribbean									
Bahamas ^m	...	6.9	9.1	10.8	10.2	10.2	7.7	7.9	...
Barbados ^m	9.3	9.9	10.3	11.0	9.6	9.1	8.7	7.4	8.1
Belize ^m	11.1	9.1	10.0	12.9	11.6	11.0	9.4	8.5	...
Jamaica ^m	15.5	15.0	14.3	10.9	11.4	11.2	10.3	9.8	10.7
Trinidad and Tobago ^m	12.1	10.9	10.4	10.5	8.3	8.0	6.2	5.5	4.9 ⁿ
Latin America and the Caribbean^o	10.5	10.4	11.4	11.4	10.5	9.2	8.8	8.1	7.5

Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of official information from household surveys conducted in the respective countries.

^a Gradual incorporation of up to 31 urban conurbations. New method of measurement from 2003; data not comparable with those of previous years.

^b Urban area. The 2004 figure is based on a survey conducted between November 2003 and October 2004. The figures relating to 2005 and subsequent years are preliminary.

^c Six metropolitan regions. New method of measurement from 2002; data not comparable with those of previous years.

^d National rate, all areas.

^e Thirteen metropolitan areas. Includes hidden unemployment.

^f National urban rates.

^g National urban rates for 2000 (November), 2001 (August) and 2003 (December). As from 2004, the figure given is the average for the four quarters. Includes hidden unemployment.

^h Rate not comparable with those of the previous years.

ⁱ Thirty-two urban areas.

^j National rate for urban areas. New method of measurement from 2003; the data are not comparable with those of previous years.

^k National rate for urban areas. Includes hidden unemployment.

^l Metropolitan Lima. New method of measurement from 2002; the data are not comparable with those of previous years.

^m National rate, all areas. Includes hidden unemployment.

ⁿ Average for the period January-September.

^o Weighted average. Data adjusted on the basis of new series for Argentina, Brazil, Chile and Mexico, as well as for the exclusion of hidden unemployment in Colombia, Dominican Republic, Ecuador and Panama.

Table A-2
LATIN AMERICA AND THE CARIBBEAN: URBAN PARTICIPATION RATES, 2000-2008
(Average annual rates)

Country	2000	2001	2002	2003	2004	2005	2006	2007	2008
Latin America									
Argentina ^a	56.4	56.1	55.6	60.3	60.2	59.9	60.3	59.5	58.8
Bolivia (Plurinational State of) ^b	56.1	60.6	58.0	...	58.6	55.7	58.7	...	...
Brazil ^c	58.0	56.4	56.7	57.1	57.2	56.6	56.9	56.9	57.0
Chile ^d	54.4	53.9	53.7	54.4	55.0	55.6	54.8	54.9	56.0
Colombia ^e	63.5	64.4	64.8	65.0	63.6	63.3	62.0	61.8	62.6
Costa Rica ^f	54.8	56.8	56.4	56.8	56.3	58.2	58.2	58.5	58.6
Cuba ^d	69.9	70.7	70.9	70.9	71.0	72.1	72.1	73.7	...
Dominican Republic ^m	55.2	54.3	55.1	54.3	56.3	55.9	56.0	56.0	55.6
Ecuador ^g	57.3	63.1	58.3	58.9	59.1	59.5	59.1	61.3	60.1
El Salvador ^f	54.5	54.8	53.1	55.4	53.9	54.3	53.9	63.6 ^h	...
Guatemala ^f	58.2	...	61.7	61.6	58.4	...	...	...	...
Honduras ^f	...	53.4	52.4	53.5	52.7	50.3	52.1	51.7	...
Mexico ⁱ	58.7	58.1	57.8	58.3	58.9	59.5	60.7	60.7	60.4
Nicaragua ^j	52.6	49.8	49.4	53.0	52.6	53.7	52.8	50.5	...
Panama ^k	60.9	61.4	63.4	63.5	64.2	63.7	62.8	62.6	64.4
Paraguay ^f	60.6	60.6	60.5	59.2	62.4	60.4	57.9	59.6	...
Peru ^l	63.4	67.1	68.5	67.4	68.0	67.1	67.5	68.9	68.1
Uruguay ^f	59.6	60.6	59.1	58.1	58.5	58.5	60.9	62.7	62.6
Venezuela (Bolivarian Republic of) ^m	64.6	66.5	68.7	69.1	68.5	66.2	65.5	64.9	64.9
The Caribbean									
Bahamas ^m	...	76.2	76.4	76.5	75.7	...	...	...	...
Barbados ^m	69.3	69.5	68.5	69.2	69.4	69.6	67.9	67.8	67.6
Belize ^m	...	...	57.3	60.0	60.3	59.4	57.6	61.2	...
Jamaica ^m	63.2	62.9	65.7	64.4	64.5	64.2	64.7	64.8	65.1
Trinidad and Tobago ^m	61.2	60.7	60.9	61.6	63.0	63.7	63.9	63.5	63.3 ⁿ
Latin America and the Caribbean^o	58.4	58.0	58.8	59.1	59.2	58.8	59.1	59.2	59.4

Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of official information from household surveys conducted in the respective countries.

^a Gradual incorporation of up to 31 urban conurbations. New method of measurement from 2003; data not comparable with those of previous years.

^b Urban area. The 2004 figure is based on a survey conducted between November 2003 and October 2004. The figures relating to 2005 and subsequent years are preliminary.

^c Six metropolitan regions. New method of measurement from 2002; data not comparable with those of previous years.

^d National rate, all areas.

^e Thirteen metropolitan areas. Includes hidden unemployment.

^f National urban rates.

^g National urban rates for 2000 (November), 2001 (August) and 2003 (December). As from 2004, the figure given is the average for the four quarters. Includes hidden unemployment.

^h Rate not comparable with those of the previous years.

ⁱ Thirty-two urban areas.

^j National rate for urban areas. New method of measurement from 2003; the data are not comparable with those of previous years.

^k National rate for urban areas. Includes hidden unemployment.

^l Metropolitan Lima. New method of measurement from 2002; the data are not comparable with those of previous years.

^m National rate, all areas. Includes hidden unemployment.

ⁿ Average for the period January-September.

^o Weighted average. Data adjusted on the basis of new series for Argentina, Brazil, Chile and Mexico, as well as for the exclusion of hidden unemployment in Colombia, Dominican Republic, Ecuador and Panama.

Cuadro A-3
LATIN AMERICA AND THE CARIBBEAN: URBAN EMPLOYMENT RATES, 2000-2008
(Average annual rates)

Country	2000	2001	2002	2003	2004	2005	2006	2007	2008
Latin America									
Argentina ^a	47.9	45.6	44.6	49.9	52.1	53.0	54.1	54.5	54.2
Bolivia (Plurinational State of) ^b	51.9	55.4	53.0	...	55.0	51.2	54.0	...	...
Brazil ^c	53.9	53.0	48.9	50.1	50.6	51.0	51.2	51.6	52.5
Chile ^d	49.1	48.6	48.4	49.3	49.5	50.4	50.5	51.0	51.7
Colombia ^e	52.6	52.7	53.4	54.2	53.8	54.5	54.0	54.8	55.3
Costa Rica ^f	51.9	53.5	52.6	53.0	52.5	54.2	54.7	55.7	55.7
Cuba ^d	...	67.8	68.6	69.2	69.7	70.7	70.7	72.4	...
Ecuador ^g	48.8	49.8	49.4	48.6	53.4	54.4	54.3	56.8	56.0
El Salvador ^f	48.9	51.0	49.8	52.0	50.4	50.3	50.8	59.9 ^h	...
Guatemala ^f	56.6	...	58.5	58.4	55.8	...	...	...	...
Honduras ^f	...	50.5	49.3	49.5	48.5	47.2	49.7	49.7	...
Mexico ⁱ	56.8	56.0	55.5	55.6	55.8	56.7	57.9	57.8	57.5
Nicaragua ^j	...	44.9	43.3	47.6	48.0	49.9	49.1	47.1	...
Panama ^f	51.6	51.2	53.2	53.4	55.1	56.0	56.3	57.7	60.2
Paraguay ^f	52.2	50.8	48.4	52.5	56.1	55.8	52.7	55.3	...
Peru ^k	59.7	60.9	62.0	61.2	61.6	60.6	61.8	63.0	62.4
Dominican Republic ^d	47.5	45.8	46.2	45.2	46.0	45.9	46.9	47.4	47.7
Uruguay ^f	51.6	51.4	49.1	48.3	50.9	51.4	53.9	56.7	57.7
Venezuela (Bolivarian Republic of) ^d	55.6	57.1	57.9	56.7	58.0	58.0	58.9	59.4	60.2
The Caribbean									
Bahamas ^d	...	70.9	70.5	69.7	68.0	...	...	...	...
Barbados ^d	62.9	62.7	61.4	61.6	62.7	63.2	61.9	62.8	62.1
Belize ^d	...	...	51.5	52.3	53.3	52.8	52.2	56.0	...
Jamaica ^d	53.8	53.5	56.4	57.1	57.0	57.0	58.0	58.4	58.2
Trinidad and Tobago ^d	53.8	54.1	54.6	55.2	57.8	58.6	59.9	59.9	60.2 ^l
Latin America and the Caribbean^m	51.8	51.9	51.7	52.3	52.2	53.4	53.9	54.4	55.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of official information from household surveys conducted in the respective countries.

^a Gradual incorporation of up to 31 urban conurbations. New method of measurement from 2003; data not comparable with those of previous years.

^b Urban area. The 2004 figure is based on a survey conducted between November 2003 and October 2004. The figures relating to 2005 and subsequent years are preliminary.

^c Six metropolitan regions. New method of measurement from 2002; data not comparable with those of previous years.

^d National rate, all areas.

^e Thirteen metropolitan areas.

^f National rates, urban areas.

^g National urban rates for 2000 (November), 2001 (August) and 2003 (December). As from 2004, the figure given is the average for the four quarters.

^h Rate not comparable with those of the previous years.

ⁱ Thirty-two urban areas.

^j National rate, urban areas. New method of measurement from 2003; the data are not comparable with those of previous years.

^k Metropolitan Lima. New method of measurement from 2002; the data are not comparable with those of previous years.

^l Average for the period January-September.

^m Weighted average. Data adjusted on the basis of new series for Argentina, Brazil, Chile and Mexico, as well as for the exclusion of hidden unemployment in Colombia, Dominican Republic, Ecuador and Panama.



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