

Notes on employment policies in the Andean Countries

F. Verdera, Sept, 14

Growth

- Very important recent growth in the region (2004-2008) reduced (urban) unemployment rate, but still at a slowly pace. Productivity stagnated, except Chile.
- Primary export sectors are not intensive enough in labor. Is it possible to gradually change the current economic and employment structure, biased towards natural resources exploitation and little employment absorption?
- Impact of global crisis in the region has not been as intense as in the late 90s financial crisis. Banking and credit good regulation is important to deal with short run employment.
- More interest on unemployment for the Andean migrants in US, Spain and the rest of Europe, affecting remittances and the chances of increased migrants return.

Development

- There is a lack of interest on internal market development strategies
- Wage policies aimed to real wages stagnation, small increases, and even reduction to be more competitive toward external markets (Colombia and Peru since 2006).
- How to combine export-lead, with higher value added, and internal market growth?

Poverty reduction

- Policies implemented through secondary income redistribution for extreme poverty reduction (conditional transfers or bonus, food programs and nutrition).
- Not related to employment policies, i.e., national strategic documents for poverty reduction promoted by the WB did not have any mention to employment or wages (Bolivia).

Globalization strategies

- How to deal with negative aspects of globalization: primary export model and its effects, increased income inequality, real wages contention, internal market oblivion, and so on.
- Free Trade Agreements have not been consulted and not evaluated (except Mexico for the latter).

Weakness of Ministries of Labor and Employment:

- Lowest participation in public budget: less than 0.5% of public expenditure in Andean Countries. By contrast, there is very high percentage in social expenditure.
- Lack of capacity to deal with employment policies, and also with labor reforms, that have been carried out by Economy and Finance Ministries, with WB, IDB and IMF advisors.
- No links between (macro) economic policy and employment policy: C. 122 ignored. There is a refusal to include employment among the main policy objectives, except during electoral campaigns.
- Informality as a solution: It means relatively low urban unemployment (except in Colombia).