

2019 Labour Overview

Latin America and the Caribbean



International
Labour
Organization

FOREWORD

In this year we have commemorated the ILO centenary in Latin America and the Caribbean, one thing is clear: the region is at a difficult crossroads between the past, present and future of work.

The *2019 Labour Overview of Latin America and the Caribbean* discusses these uncertain times for working women and men and their families. The reading of labour market indicators is not positive given that unemployment has risen and there are signs of declining job quality.

This year was characterized by weaker regional economic growth caused mainly by global trade difficulties. Additionally, people are increasingly making demands and have begun to take to the streets to protest inequality and to demand opportunities to improve their living conditions.

The social unrest that intensified during the last quarter of the year has called attention to the persistence of decent work deficits. Opportunities to obtain a dignified, productive job, with fair wages, social protection and labour rights, are crucial for responding to social demands and for guaranteeing good governance and the benefits of economic growth for everyone.

The statistics in this edition of the *Labour Overview* point to a complex labour situation. The regional unemployment rate has resumed the upward trend that had appeared to subside in 2018, when it recorded a slight decline. According to ILO estimates, the average unemployment rate for the region is expected to close at 8.1 per cent in 2019.

Although this is just one tenth of a percentage point higher than last year, much of the increase was contained by a slight decline in the unemployment rate of Brazil, which carries considerable weight in the regional average. Without Brazil, the rate would have risen four tenths of a percentage point.

Statistics varied across the region. Even considering this factor, however, there is a visible upward trend in the unemployment rate in Latin America, where it increased in nine of the 14 countries with available information to the third quarter of this year. Three countries reported no change and the rate decreased in just two. In the English-speaking Caribbean, by contrast, the rate had fallen by -0.7 percentage points to September.

This rising trend in the average regional rate could continue if the economy does not rebound. In a context of weak growth, such as that expected for 2020, the unemployment rate could increase to 8.4 per cent.

The rate is already 2 percentage points higher than that recorded five years ago. In 2014, the region experienced sustained economic growth that successfully weathered the 2008 financial crisis and achieved the lowest unemployment rate of this century, 6.1 per cent. Ever since, however, the markets have reflected the impact of sluggish economic growth.

There are people behind the percentages, and in the case of this region, unemployment rates mean that nearly 26 million are unemployed in 2019, a figure that could climb to 27 million next year.

This edition of the *Labour Overview* reports a persistent decline in the growth of wage employment and a slowdown in formal employment in the third quarter of this year. Both parameters are considered indicators of employment formality. At the same time, own-account employment grew, which usually indicates a tendency toward increased informality.

With respect to women's employment, the female labour participation rate increased although it remains much lower than that of the male population. Employed women earn wages that are 19 percentage points below men's wages, on average. Additionally, the unemployment rate among women rose more than that among men, to a regional average rate of 10.2 per cent.

The *2019 Labour Overview* also contains a feature article on youth employment. The lack of decent work opportunities for youth is a major cause for concern since it often leads to discouragement and frustration. This was clear in the first line of recent protests demanding change for a better future.

The youth unemployment rate approached 20 per cent in the third quarter of 2019, the highest level recorded since this indicator was first measured in the 1990s. Additionally, the *Labour Overview* reports that of the youth who do work, more than 60 per cent have informal employment. Inactivity only adds to this problem: approximately 22 per cent of Latin American youth neither study nor work, and the situation is even more critical among young women. This should be a call to action.

Migration is another issue discussed in the report. Over the past two years, the region has experienced the mass mobilization of Venezuelan citizens, as well as other challenging situations in Central America and on the US border, placing this issue on the list of priorities.

Together with addressing ongoing issues associated with the quantity and quality of jobs created in a region such as Latin America and the Caribbean, societies must now begin to deal with the problems of the future of work, as recommended by the Global Commission on the Future of Work convened by the ILO in its final report presented in January 2019.

The impact of new technologies, new forms of hiring and of production, climate change, the aging of the population and the fluctuating impact of globalization on the global economy should be considered when adopting innovative strategies to address the employment problems affecting the region.

The ILO's Centenary Declaration for the Future of Work, adopted by governments and employers' and workers' organizations at the International Labour Conference in June, which this year had record attendance of some 6,300 delegates, states that "such a future of work is fundamental for sustainable development that puts an end to poverty and leaves no one behind." This is closely related to what societies in the region are demanding, as expressed in the Panama Declaration, which was signed by ILO constituents at the last regional meeting in October 2018.

Finally, it is relevant that the challenges of the world of work are clearly expressed in Goal 8 of the 2030 Sustainable Development Agenda, which calls for a commitment to "promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all."

Juan Hunt

ILO Interim Regional Director
for Latin America and the Caribbean



International
Labour
Organization

Executive Summary / 2019 Labour Overview





EXECUTIVE SUMMARY

Economic growth forecasts for the region have been adjusted downward in 2019. This has created a context fraught with uncertainty, which is reflected in the labour market. A key feature is the upward trend in the average rate of regional unemployment.

In 2018, the average unemployment rate was 8.0 per cent following a slight decline for the first time in four years. However, by the close of the third quarter of 2019, this trend had reversed, with the rate reaching 8.5 per cent. According to estimates, it will close at 8.1 per cent at year-end. In other words, some 26 million people who are looking for work cannot find it.

Although the increase of a tenth of a percentage point is slight, this trend should be carefully monitored for variations. It is a conservative estimate based on statistical calculations. The impact of the social protests affecting the region in late 2019 and the growing pressure resulting from the uncertain economic situation may drive the rate higher.

This slight rise in the regional unemployment rate occurred in a context in which the labour force participation rate increased, and the employment-to-population ratio stagnated as a result of more rapid adjustments in labour demand. These adjustments responded to changes in economic growth and the less elastic labour supply.

The upward trend in the unemployment rate could accelerate in 2020 if low economic growth forecasts are maintained (1.4 per cent). The unemployment rate may increase again next year, to 8.4 per cent, which would directly affect 27 million people.

This indicator underscores the need to generate conditions that guarantee economic growth with employment. It is a pressing issue, as the recent protests in the region have made clear.

Trends differ by sub-region

By sub-region and country, the analysis of labour market indicators reveals the diversity of Latin America and the Caribbean. Specifically, it highlights the performance of the labour markets of Brazil and Mexico, which given their size influence sub-regional and regional averages. This year, the performance of those economies helped temper the increase in the unemployment rate.

Without these countries, the regional average would reflect the stagnation of the labour force participation rate, a reduction in the employment-to-population ratio of -0.4 percentage points for the first quarters of 2019, and an unemployment rate increase of nearly 0.5 percentage points instead of 0.1 points.

Labour market indicators also varied by sub-region. Salient results to the third quarter include the reduction in the unemployment rate in the English-speaking Caribbean of -0.5 percentage points, the increase of 0.5 percentage points in the Andean countries and of 0.2 percentage points in Central America and Mexico. Finally, the Southern Cone countries experienced a slight decline in the unemployment rate.

High youth unemployment

The problem of youth employability is a structural feature of the region's economies. The youth unemployment rate triples that of adults. One in five youth in the region fails to find employment. Those who do find a job frequently work in precarious conditions (informality, low wages, a lack of job security and limited job training).

In Latin America and the Caribbean, 2019 statistics underscore how difficult it is to be young in the labour markets of the region. The lower economic growth of 2019 had a negative impact on the working conditions of youth (aged 15 to 24). The youth unemployment rate rose by 0.3 points and affected 19.8 per cent of youth seeking work in the region. By contrast, this indicator did not change for adults aged 25 and over.

This should sound an alarm given that it threatens the present and future expectations of millions of youth, who cannot find jobs and whose aspirations for social mobility are frustrated. In light of the wave of protests in several cities, this requires immediate, inclusive action. This crisis of expectations afflicting the region demands urgent action.

Gender

Women represent another group requiring special attention. They comprise just over half of the population but less than 40 per cent of workers. Gender gaps in labour force participation, unemployment and employment-to-population ratios have been narrowing in recent decades, but at a painstakingly slow pace. Occupational segregation by gender is still widespread.

In 2019, the ILO Office for Latin America and the Caribbean published a thematic labour overview on women in the labour market. This detailed report documented the gender pay gap, both in wage and own-account employment. Women's wages rose slightly more than those of men in a trend of reducing gaps. Notwithstanding, men's wages are still a fifth higher than those of women.

Most of this gap is attributed to unobservable factors rather than to objective, measurable variables associated with labour productivity, such as education, experience, economic sector and occupation. Thus, a key conclusion of the report is that addressing gender inequality requires a cultural change that goes beyond the world of work. This requires the eradication of stereotypes, discrimination, unconscious biases, violence and in general, the privileges that hinder the achievement of a society with more equal opportunity.

Employment becomes more precarious

The economic slowdown observed since mid-2018 has affected employment in the region, both in terms of its structure and quality. So far in 2019, wage employment growth has been slower than that of own-account employment. In both cases, indicators point to a trend of increasing informality.

Job creation also slowed in 2019, while time-related underemployment rose in nearly all countries with available information. The performance of those indicators contributed to the precariousness of jobs created in the region in 2019.

Growth of employment in services and decline in the quantity and quality of rural employment

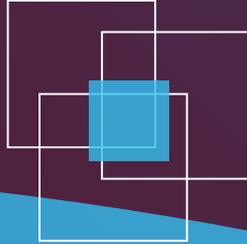
In 2019, overall employment trends by area of activity continued, most notably the expansion of employment in the service sector. By contrast, employment in manufacturing and construction grew moderately while the downward trend continued in the agricultural sector.

The performance of the agricultural sector is of concern given that the employment-to-population ratio in rural areas continues to decline at the same time it is rising in urban areas. The quality of rural employment is also falling, as reflected in the widening of existing gaps between rural employees and their urban counterparts. Rural employees have significantly lower coverage in terms of employment contracts, healthcare, access to social security and trade union membership.

Wages increased, although private sector wages grew more slowly

While the regional average wage experienced another increase, its recent performance differed by type of wage earner. Wages of both public employees and domestic workers grew more than those of private sector employees. In 2018, the growth in women's wages outpaced that of men's, contributing to a gradual reduction in the gender pay gap.

Real minimum wages grew nearly 4 per cent during the first three quarters of 2019. This increase is more than double the increase observed during the same period of 2018 and the average for the period 2013-2018. In the first three quarters of 2019, 14 of the 16 countries analyzed recorded real minimum wage increases.



2019 Labour
Overview
Latin America and the Caribbean

**EXECUTIVE
SUMMARY**



International
Labour
Organization

