2018 Labour Overview
Latin America and the Caribbean
EXECUTIVE SUMMARY

Regional Office for Latin America and the Caribbean
The ILO is celebrating its 100th anniversary. Ever since its founding in 1919, the organization has been a key player in the world of work. The centennial commemorations have already begun. As part of the activities planned in Latin America and the Caribbean, we present this edition of the Labour Overview, which has an additional reason to celebrate: this annual report on the labour situation in the region is celebrating 25 years of existence.

In what context does this 25th-anniversary edition appear?

The 2018 Labour Overview of Latin America and the Caribbean reports that the changes in key labour market indicators in the region reflect a slight advance with respect to last year, including a shift in the trend in the unemployment rate, which declined after three years of increases.

The average unemployment rate in the region fell from 8.1 per cent in 2017 to an estimated 7.8 per cent at the end of 2018. There are also positive signs of growth in wage employment, as well as in earnings.

However, it is also true that in a context of slow economic growth, the unemployment rate has only modestly improved. Additionally, regional averages hide differences in the performance of indicators across countries and subregions. Once again, statistics for Brazil, which accounts for some 40 per cent of the economically active population, heavily influence the trend observed.

This edition of the Labour Overview reports that the labour participation rate among women maintained its upward trend. This rate increased from 50 per cent to 50.3 per cent in the third quarter of 2018, indicating a decline in the gender gap. Nevertheless, the gap remains given that the labour participation rate among women is still more than 20 percentage points lower than that among men.

The unemployment rate among women reached 10 per cent in the third quarter of 2018. This indicator is persistently higher than that among men, which was 7.3 per cent in the same period.

One pressing issue for the ILO is the employment situation of young people. This edition of the Labour Overview reports that the average unemployment rate among youth in the region is nearly 20 per cent (19.6 per cent in the third quarter), which means that one in five youth seeking work do not find it. The lack of opportunities discourages and frustrates these young people.

We need to create more and better jobs more rapidly in the regional labour market. More robust growth and more efficient income redistribution policies are needed to actively address employment challenges, especially among the most vulnerable population groups. We must not forget that the regional unemployment rate means that there are some 25 million unemployed people.

This edition of the Labour Overview also discusses issues such as informality. According to recent data for the region, agricultural and non-agricultural informal employment is 53.8 percent. Some 140 million people are employed in occupations associated with precarious conditions, a lack of rights and social vulnerability.

Migration is another of issue discussed in this edition. According to the ILO, there are 164 million migrant workers in the world. In the region, we must continue to improve our approach to this problem. Over the past two years, the region has experienced the mass migration of Venezuelan citizens, as well as other difficult situations in Central America and on the US border, which make the issue of migrant workers a top priority.

To commemorate the 25th anniversary of the Labour Overview, a feature article in this addition looks at the situation in the region since this report was first published in 1994. The article includes interviews, excerpts from all previous editions, and some statistical series that summarize what we have recorded over a quarter of a century in Latin America and the Caribbean.

When the Labour Overview was first published, it served as an important tool to monitor the regional labour market. The review of its content of 25 years reveals markedly distinct moments in the region’s labour markets, with high and low levels of unemployment, effects of crises or adjustments, and persistent decent work deficits.
Over time, the Labour Overview has grown larger, has reached more people, especially through the Internet and social media promotion, and has improved its collection of data from the countries. An important change occurred in 2015, when data on urban employment was expanded to include current national data (urban and rural).

Now in 2018, we already have our sights on 2019. What we observe is moderately encouraging. As mentioned, this year, the unemployment rate declined for the first time in four years, and this trend could continue in 2019 if growth forecasts are maintained.

Currently, growth is forecast at 2.2 per cent for 2019 (IMF), which would mean that one million more jobs could be created and that the unemployment rate may fall to 7.5 per cent or lower. However, given that growth forecasts have usually been revised downwards in recent years, this estimate should be taken with caution.

Additionally, we live in highly uncertain, volatile times, which are reflected in commercial and financial relationships and, of course, in employment.

In this scenario, the commemoration of the ILO’s 100th anniversary calls for reflection on a global scale concerning an issue that affects us all: the future of work. Beyond the labour situation, there are important changes resulting from the development of new technologies, climate change, the aging of the population or changes in the means of production.

This future is a challenge for us all, and it is also a challenge for the Labour Overview, which must also assess that world of tomorrow in the years to come.

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Economic growth in 2018 had a positive albeit moderate and nuanced impact on the labour market. Medium- and long-term challenges remain, such as improving working conditions for women and youth. The regional average unemployment rate is expected to fall from 8.1 per cent in 2017 to around 7.8 per cent by the end of this year.

The 2018 Labour Overview of Latin America and the Caribbean reports on some tendencies that diverge from the trends observed since 2014. The moderate recovery of economic activity, which became apparent in 2017 and continued in 2018, interrupted the cycle of economic deceleration that had negatively affected the regional labour market in recent years.

Due to the lag in demand for employment, the positive impact of economic growth on the labour market was not apparent until late 2017. The favourable economic situation led the employment-to-population ratio to rise more than the labour participation rate. Thus, for the first time since 2014, the regional unemployment rate declined in 2018.

The regional average unemployment rate is expected to be 7.8 per cent at the end of 2018, lower than the 8.1 per cent recorded in 2017.

Although the news is positive, the slower pace of the decline in unemployment and the uncertainty surrounding the economic situation over the next few years point to the need to create new, quality jobs. This is the only way to include the approximately 25 million unemployed people in the region.

Not Equal for Everyone

When assessing the reduction in the regional unemployment rate, two factors should be considered. One is the situation in Brazil, which has two of every five members of the economically active population (EAP) in Latin America and the Caribbean. Consequently, its relative weight heavily influences the regional average unemployment rate.

Unlike in previous years, when Brazil’s economy contracted, the country’s GDP grew in the third quarter of 2018, leading to a reduction in the unemployment rate of 0.6 percentage points, according to data to the third quarter. Although equal numbers of countries experienced increases and decreases in their unemployment rates in the region, the weight of Brazil played a pivotal role in the decline of 0.3 percentage points in the regional unemployment rate.

Additionally, in 2018, the reduction in unemployment, which occurred in a context of employment growth, affected certain groups of workers and sectors differently. Until 2017, own-account employment expanded as a share of total employment, while wage employment contracted. This trend continued for several years; however, 2018 marked a change in the trend observed since 2015. Although the growth rate of own-account employment still exceeds that of wage employment, the proportion of new employees is greater than that of new own-account workers. Job growth continues in the service sector while employment in manufacturing increased for the second year in a row.

High Youth Unemployment Rate

Statistics for 2018 also underscore how difficult it is to be young in the labour markets of the region. The youth unemployment rate triples that of the adult population. The average youth unemployment rate was 19.6 per cent, which means that one of every five youth seeking employment in the region cannot find a job.

This is a warning sign given that it threatens the current situation and future expectations of millions of people aged 15 to 24, who have few employment opportunities and whose aspirations for social mobility have been cut short.
Wages and Gender

Real average and minimum wages, which rose sharply between 2014 and 2017, continued to improve in 2018 but at a more moderate pace in a context of lower inflation. Women’s wages rose slightly more than those of men, continuing the long-term process of narrowing pay gaps. Nevertheless, men’s wages still exceed women’s by about 20 per cent. Most of this gap is attributed to discrimination, stereotypes and cultural factors rather than to objective, measurable variables associated with labour productivity, such as education, experience, economic sector and occupation. Gender gaps in unemployment, employment-to-population ratios and labour participation rates declined in most countries of the region in 2018, as part of a steady but slow process.

Has the Slow-motion Crisis Come to an End?

While the results observed in 2018 are positive, changes remain modest and vary across subregions and countries. Although the macroeconomic context is improving overall, it is still vulnerable to fluctuations in external and internal political, commercial and investment conditions.

Despite these shifts, the improvement observed in labour indicators in 2018 marks the beginning of the reversal of what recent editions of the Labour Overview referred to as a “slow-motion crisis” that threatened labour markets in Latin America and the Caribbean.

Whether this new trend will continue in 2019 depends on the continuity of regional economic growth and the global and local context that sustains it. For now, economic growth forecasts point to 2.2 per cent (IMF), and in that case, the regional unemployment rate could further decline. However, in a highly volatile global economic context, what will happen in 2019 remains uncertain.
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