2005 Labour Overview

LATIN AMERICA AND THE CARIBBEAN

(First Semester Advance Report)

International Labour Office
Regional Office for Latin America and the Caribbean

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Foreword

The *Labour Overview Advance Report for 2005* conveys a mixed message with respect to the current economic and labour market situation in Latin America and the Caribbean. In general, there are reasons for cautious optimism as regards the region's economic growth. At the same time, despite favourable economic conditions, progress is modest compared with the need to reverse the decent work deficit that has accumulated since the 1990s.

Economic growth in the region, estimated at 4.6% in the first semester of 2005, points to GDP growth of approximately 4% for the year. Although this rate is lower than that recorded in 2004 (5.9%), it remains higher than the average for recent years. These results reflect the favourable international context characterized by the expansion of global GDP and trade, high prices for primary export products, low interest rates, a reduced rate of inflation and relatively low inflationary pressures, although in some countries inflation rates surpassed 2004 levels. Also contributing to the economic growth was the adoption of flexible exchange rates that fostered an increase in the competitiveness of the region, as well as countries' capitalizing on positive economic conditions to strengthen fiscal balances and reduce foreign debt. These changes resulted in a notable reduction in country risk indices, which are approaching historic lows, and a surplus in the current account recorded in the past two years which will likely continue in 2005.

Nevertheless, this generally positive scenario is marred by some risks in the short and medium term. First, the future price of oil could continue to be a risk variable. Pressures on the demand side, particularly from the United States and China, are driving the current increase in oil prices to record levels and there is uncertainty as regards the capacity of the oil industry to meet the growing demand. This situation was aggravated by the recent effects of Hurricane Katrina in key areas of the United States, which affected oilrigs in the Gulf of Mexico. Beyond the unfortunate loss of life and the direct costs of destruction, the hurricane's impact on the oil industry both for refining as well as for importation and production represents a supply shock, which could negatively affect growth in the world's largest economy.

Moreover, the main imbalances of the global economy, especially the trade and fiscal deficits of the United States, generate uncertainty about the duration of the expansion of the global economy. Although these deficits have been financed with relative ease to date thanks to the continuous flow of capital from around the world, the demand for U.S. assets has limits. In addition, experience demonstrates that such a large deficit cannot be maintained indefinitely. Therefore, risks may increase as net foreign obligations of the United States continue to rise.

Regional GDP growth in 2004 was decisive for the increase in labour demand in most of the countries, whereas labour supply, after a marked increase in 2003, rose only slightly. The result was a decrease of 0.9 percentage points in the weighted average urban unemployment rate for the region with respect to the rate in 2003, to 10.2% in 2004. This rate is similar to the level of 1998, if the effects of methodological changes in the household surveys of Argentina and Brazil are taken into account.

During the first semester of 2005, the downward trend in urban unemployment continued in the region, which was estimated at 9.6%, 1.3 percentage points below the rate recorded for the same period in 2004. This was the result of an increase in the employment-to-population ratio (0.6 percentage points) and a decline in the labour force participation rate (0.3 percentage points). Unemployment fell in seven of the nine countries with available information, Argentina, Brazil, Chile, Colombia, Ecuador, Uruguay and Venezuela, whereas it rose slightly in Mexico and Peru. This regional urban unemployment rate is the equivalent of approximately 18.3 million unemployed individuals.

Although the decline in the unemployment rate is encouraging, it remains at the high levels which have characterized the region since the mid 1990s. For this reason, job creation continues to be a major challenge for policymakers. In addition, assuming that the labour force grows at close to 2% annually and productivity increases, the GDP growth forecast of 4.3% for 2005 will be insufficient to significantly reduce the unemployment rate.

Experience shows that economic growth must be strong and sustained to lower unemployment rates. Nevertheless, economic growth in the past 10 years in most of the countries of the region has been lacklustre and unstable. Only Chile and Trinidad and Tobago registered sufficiently high growth rates to significantly reduce unemployment in the period 1995-2004. The remainder of the countries of the region experienced only short periods when economic growth managed to diminish unemployment.

Real wages rose in the region in 2004 due to an increase in productivity and a decline in inflation. Real manufacturing wages increased 5.2% on average, and the real minimum wage rose 8.3%. The fact that real wage growth was less than the increase in labour productivity for all the sectors indicates that these factors did not have a significant impact on employment or the unemployment rate. During the first semester of this year, the increase in real wages was lower than that registered in the same period of 2004. Real manufacturing wages increased 1.1% and real minimum wages rose 5%.

In the 2003-2004 biennium, non-agricultural employment continued to be characterized by a high share in the informal and services sectors, while registering low levels of social protection. Formal sector employment rose in six countries (Argentina, Colombia, Costa Rica, Panama, Uruguay and Venezuela) while informal sector employment increased in four (the Dominican Republic, Ecuador, Paraguay and Peru). Notwithstanding, for the period 2000-2004, only Costa Rica shows a downward trend in terms of informal sector employment in non-agricultural sectors.

Statistics for health coverage and pensions of seven countries for 2004 indicate that social protection of wage and salaried workers increased in three countries (Argentina, Colombia and Costa Rica), remained practically unchanged in Ecuador and decreased in three countries (Panama, Peru and Venezuela). The percentage of workers with pension system coverage diminished in Paraguay and Uruguay.

In summary, although regional economic growth has led to an improvement in some key labour market indicators, there remains a substantial decent work deficit which requires the continuous application of integrated economic and social policies whose focus should be the generation of decent work, balancing the need for competitiveness and efficiency with that of social protection, employment security and respect for labour and human rights.

This edition includes two feature articles. The first analyzes voluntary migration trends both within and outside the region, as well as the internal and external conditions that drive migration. The article concludes that labour migration has both positive and negative effects for the countries of origin and destination, as well as for immigrants and their families. A box article provides a proposal for a regional plan of action regarding migrant workers. The second feature article analyzes economic and labour progress in Latin America and the Caribbean since the application of economic stabilization policies in the early 1990s. The conclusion is that while important progress has been made, particularly in improving macroeconomic imbalances, these positive changes have been accompanied by an increase in unemployment and precarious employment as well as a deterioration in income distribution. To address these issues, the article presents policy proposals designed to achieve economic growth compatible with decent work. The *Labour Overview Advance Report for 2005* also includes a statistical annex that accompanies the labour situation report as well as an explanatory note with concepts, definitions and information sources.

Latin American and Caribbean countries face a paradox from a labour market perspective: the regional economy is in a better situation than ever to improve the quality of life for the region's inhabitants; nevertheless, current labour and social challenges are more daunting than ever before. In the task of achieving decent work for all, governments, workers and entrepreneurs of the region have at their disposal the instruments, experience and technical support of the International Labour Office.

Daniel Martínez,
Acting Regional Director for the Americas

Lima, October 2005

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The preparation of the *Labour Overview Advance Report for 2005* was coordinated by Mónica Castillo, who also helped in the preparation of different texts and oversaw the editing of the report, with the collaboration of Manuel Délano.

The Labour Situation Report, which contains an analysis of current conditions of work, including unemployment and wages by country, was prepared by Werner Gárate, who received comments from Mónica Castillo and Daniel Martínez.

The feature articles are brief reports on different topics relevant to the world of work. Andrés Solimano, with research support from Claudia Allendes, prepared the first feature article, *International Migration, Remittances and the Labour Market: The Situation in Latin America and the Caribbean*, and received comments from Mónica Castillo and Daniel Martínez. The article *Generating Decent Work in Open Economies: The Strategy of Growth with Quality Employment* was prepared by Leonardo Neves with comments from Mónica Castillo, Eliana Franco, Virgilio Levaggi and Daniel Martínez.

The box article *Proposal for a Plan of Action for Migrant Workers from Latin America and the Caribbean*, which accompanies the first feature article, was prepared by Mónica Castillo, who received comments from Daniel Martínez.

The statistical information was updated by Werner Gárate, who prepared the *Statistical Annex* of the report based on official country information and information provided by the ILO/SIAL (Labour Analysis and Information System) team in Panama, formed by Bolívar Pino, Manuel Córdoba and Rigoberto García. The *Explanatory Note* accompanying the *Statistical Annex* was updated by Mónica Castillo and Werner Gárate.

Gino Carlevarino was responsible for the graphic design of the report and Liz Guerrero was in charge of the text design. Rossana Angeles was responsible for copyediting the report and coordinating its printing.

Miguel Schapira was responsible for media coverage of the document. Jorge Coronado and Rosario Barragán were responsible for distributing the printed version of the *Labour Overview Advance Report for 2005*. Alfredo Young was in charge of placing the electronic version of the report on the webpage of the Regional Office for Latin America and the Caribbean.

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Contents

HEALTHY ECONOMIC PERFORMANCE LEADS TO IMPROVEMENTS IN THE REGIONAL LABOUR MARKET, BUT UNEMPLOYMENT REMAINS HIGH

The data and analysis presented below for 2004 and the first semester of 2005 on the key labour market indicators in Latin America and the Caribbean indicate that the economic recovery that began in late 2003 has led to an improvement in the regional labour market during the period. Specifically, the urban regional unemployment rate declined in response to the increased labour demand (which surpassed the slight increase in the labour supply in 2004 and the minor decrease in the labour supply in the first semester of 2005). In addition, minimum wages and real manufacturing wages rose slightly, reflecting the low levels of inflation and greater labour productivity in the case of real manufacturing wages.

Notwithstanding, high levels of urban unemployment have persisted in the region since the crisis years in the 1990s. Moreover, while economic growth has been strong and widespread in the period, the trend in key labour market indicators has varied by country, in some cases performing unfavourably.

The Global Context is Favourable in 2005, but Less So than in 2004

- The favourable global conditions, which were reflected in the expansion of exports and improvements in the terms of trade, as well as in the recovery of domestic demand, particularly in the second half of 2004, consolidated the economic recovery underway in Latin America and the Caribbean.

- The global economic context will continue to be favourable for Latin America and the Caribbean in 2005, but less so than in 2004. The global economy in 2005 will mark a three-year period in which the economy grew faster than the average for the past three decades. Although this positive trend is expected to continue, estimated world growth for 2005 (4.3%) will be lower than that of 2004 (5.1%), whereas the value of global trade is expected to increase 7%, or 3.3 percentage points less than last year.

- Economic growth forecasts for 2005 among the world's leading economies were modified in September 2005 with respect to projections in September of last year. The projected GDP growth rate for the United States was unchanged at 3.5%, while China's rate was revised upward, from 7.5% to 9%. GDP growth projections were revised downward for Japan, from 2.3% to 2%, as well as for the European Union, from 2.5% to 1.6%.

- Regional GDP grew 5.9% in 2004, which was much higher than the rate in 2003 (2%), surpassing the most optimistic forecasts and setting the highest growth record in the past 25 years.

- Forecasts for 2005 indicate a regional economic growth of around 4.2%. Although the forecasts suggest slower growth rates compared with 2004, all countries of the region are expected to experience positive economic growth (even Haiti, which had a recession in 2004), which means that this will mark the third straight year of GDP expansion in the region.

Labour Market Improved in the Region in 2004, but Unemployment Remained High

Based on information from the close of 2004 for a selected group of countries, trends in key labour market indicators for the region were as follows:

- The regional urban unemployment rate fell from 11.1% in 2003 to 10.2% in 2004. This decline reflected an increase in the employment-to-population ratio (52% to 52.7%), which surpassed the slight increase in the labour force participation rate (58.7% to 58.8%).

- If the methodological adjustments in the household surveys that measure unemployment in Brazil (2002) and Argentina (2003) are taken into account, the unemployment rate in 2004 would be similar to that recorded in 1998, maintaining the high level of unemployment characterizing the region since the mid-1990s.

- Changes in the urban unemployment rate varied by country in 2004 with respect to 2003. In a sample of 19 countries, the unemployment rate fell in 10 countries, increased in seven and remained unchanged in two.

- Manufacturing wages for the group of nine countries for which information was available at the close of 2004 grew 5.2%, indicating a recovery in real terms compared with the losses recorded in 2002 (-1.6%) and 2003 (-1.9%). Given that productivity of the manufacturing sector is estimated to be three times higher than the average labour productivity for all sectors, and the increase in the latter in 2004 was estimated at 2.8%, the increase in real manufacturing wages was less than the increase in labour productivity in this sector.

- Although the real manufacturing wage at the close of 2004 in most of the selected countries was above that of 1990, it continued to be below the 1990 level in some countries. Thus, in Argentina, despite the important gains in real terms registered in 2004, the real manufacturing wage was still 0.5% below that of 1990; in Paraguay, the 2004 level was equivalent to 93% of the level 15 years ago, whereas it was 78.3% of the 1990 level in Uruguay and 61% in Venezuela.

- Of 17 countries with available information for 2004, the minimum wage in real terms increased in nine countries and fell or remained unchanged in eight. The weighted average of the real minimum wage for all countries grew 8.3%. This increase was the result of reduced inflation and increased nominal wages mandated by governments, especially in Argentina. If this country were excluded, the real minimum age of the region would have increased only 2.4% in 2004, a level still below the average labour productivity of the region.

- The sectoral composition and quality of employment in 2004 continued to be characterized by a high share of informal sector employment and low social protection coverage.

  - *The informal sector employment trend persisted.* Of the 10 countries with available information for the 2003-2004 biennium, employment in the informal sector rose in four countries (the Dominican Republic, Ecuador, Paraguay, and Peru) whereas formal sector employment increased in the other six (Argentina, Colombia, Costa Rica, Panama, Uruguay and Venezuela). The countries with the largest percentages of workers employed in the informal sector were Colombia, Ecuador, Paraguay and Peru, at close to 60%, while those with the lowest shares were Costa Rica (41.8%), Panama (41.6%), and Uruguay (37.7%). Nonetheless, an analysis of the period 2000-2004 indicates that informal sector employment clearly increased in the majority of the countries with available information.

  - *Low levels of social protection continued.* Between 2003 and 2004, *health and pension coverage* of wage and salaried workers rose in Argentina, Colombia and Costa Rica, while it remained practically unchanged in Ecuador and declined in Panama, Peru and Venezuela. The highest coverage in 2004 continued to be in Costa Rica (79.9%) and Panama (72.7%) whereas the lowest was in Ecuador and Peru, at nearly 48%. Moreover, the difference in coverage between formal and informal wage and salaried workers continued to be quite marked.

  - The available information for 2004 on *retirement or pension system coverage* (only Paraguay and Uruguay) points to low coverage and major disparities between wage and salaried workers of the formal and informal employment sectors. In Paraguay, 45.3% of wage and salaried workers of the formal sector had pension coverage whereas only 4.3% of wage and salaried workers of the informal sector enjoyed this benefit. In Uruguay, the differences were significant but less marked: 87% coverage in the formal sector versus 32.9% in the informal sector. Between 2003 and 2004, the percentage of wage and salaried workers affiliated with a pension system declined in both Paraguay and Uruguay.

Labour Market Trends in the First Semester of 2005

- The trend of a decreasing unemployment rate observed in the region last year continues. The weighted urban unemployment rate estimated for nine countries during the first semester of 2005 is 9.6%, or 1.3 percentage points lower than that recorded for the same period last year (10.9%).

- The urban unemployment rate for the region is equivalent to approximately 18.3 million unemployed individuals.

- The decrease in the regional urban unemployment rate is the result of an increase in the employment-to-population ratio, which rose from 52.2% to 52.8%, whereas the labour force participation rate decreased from 58.7% to 58.4%.

- The unemployment rate for the first semester decreased in seven of the nine countries with available information. It fell in Argentina (from 14.6% to 12.5%), Brazil (12.3% to 10.3%), Chile (8.9% to 8.3%), Colombia (16.5% to 15.0%), Ecuador (11.3% to 11.1%), Uruguay (13.5% to 12.2%) and Venezuela (16.6% to 13.2%) whereas it rose slightly in Mexico (3.7% to 3.9%) and Peru (10.1% to 10.5%).

- For the eight countries with information on unemployment by sex, the female unemployment rate in 2005 was 1.4 times higher than the male unemployment rate, with the highest disparity in Brazil (1.6 times) and the lowest gap in Venezuela (1.2 times). In countries with a decrease in total unemployment, the reduction was greater for women in Argentina, Brazil, Colombia and Venezuela; in contrast, the decrease was greater for men in Chile and Uruguay. In Mexico and Peru, where the total unemployment rate increased, unemployment among women tended to worsen.

- With respect to youth, in the countries experiencing a downward trend in total unemployment, such as Argentina, Brazil, Chile and Venezuela, youth unemployment also fell, except in the case of Colombia, which had an increase in unemployment among youths aged 12 to 17 years and a decrease among those aged 18 to 24 years. Only in Peru did the total unemployment rate and youth unemployment rate both increase.

- The manufacturing wage among the eight countries with available information grew 1.1% in real terms during the first semester of 2005 compared with the same period in 2004, an increase which was less than the rise in the estimated average productivity for all sectors for the period (1.5%). Real manufacturing wages rose in Argentina (3.9%), Brazil (1.8%), Chile (1.3%), Colombia (1.1%) and Uruguay (8.6%), whereas they decreased in Ecuador (-7.8%) and Venezuela (-2.2%) and remained unchanged in Mexico.

- The weighted average real minimum wage of the 16 countries with information for the first six months of 2005 grew 5% with respect to the same period of 2004. The change in real minimum wages differed by country: it improved in ten, decreased in four and remained stable in two.

- A continuation of the policy to adjust the minimum wage was particularly apparent in Uruguay, with an increase of 57.1% in real terms. If this country were excluded, the weighted average real minimum wage of the selected countries would increase 4.7%. In addition, there was a significant increase in the purchasing power of the minimum wage in Argentina (26.3%).

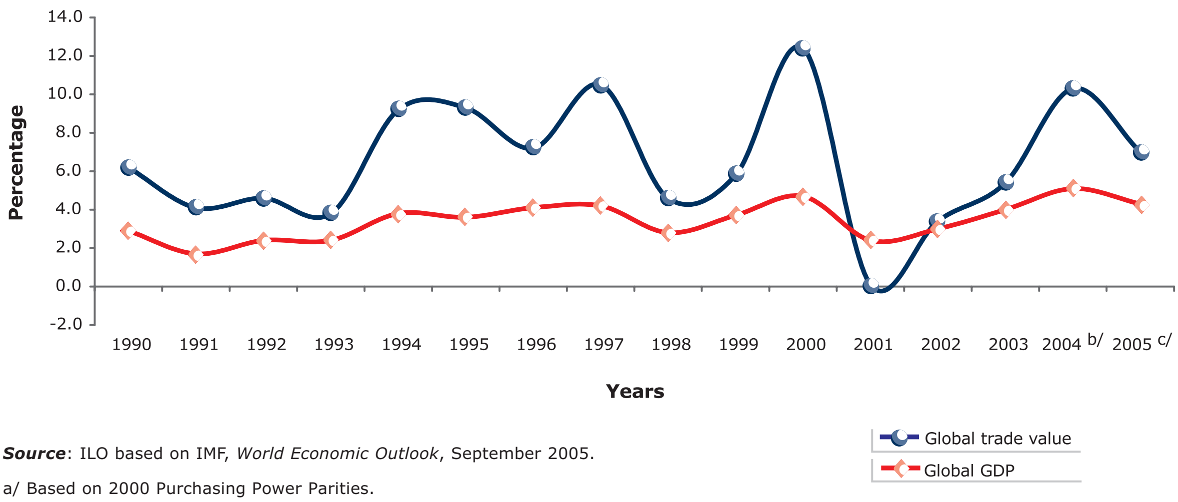
THE GLOBAL CONTEXT IS FAVOURABLE IN 2005, BUT LESS SO THAN IN 2004

The global economic context will continue to be favourable for Latin America and the Caribbean in 2005, but less so than in 2004. According to the September 2005 forecasts of the International Monetary Fund (IMF), in 2005, the global economy will mark a three-year period of strong economic growth, expanding at a faster pace than the average for the past three decades. Although this positive trend is expected to continue, estimated world growth for 2005 (4.3%) will be lower than that of 2004 (5.1%), whereas world trade volume will increase 7%, or 3.3 percentage points less than last year (Figure 1 and Table 1).

FIGURE 1

GLOBAL GDP AND EXPORTS AT CONSTANT PRICES, 1990 - 2005 a/

(Annual percentage change)



Source: ILO based on IMF, *World Economic Outlook*, September 2005.

a/ Based on 2000 Purchasing Power Parities.
b/ Estimated.
c/ Projection.

In the first half of 2005, the economic context among developed countries was characterized by significant economic growth in the United States, where employment continued to rise, whereas the Japanese economy is showing signs of recovery following the prolonged recession, but still faces the problem of deflation. In contrast, growth remained slow in the countries of the European Union. Among developing nations, China continued to register high GDP growth rates although growth is expected to slow this year. Latin American and Caribbean countries, as well as developing countries of Asia, are experiencing significant economic growth.

Economic growth forecasts for 2005 among the world's leading economies were modified in September 2005 with respect to projections in September of last year. The projected GDP growth rate for the United States was unchanged at 3.5%, while China's rate was revised upward, from 7.5% to 9%. GDP growth projections were revised downward for Japan, from 2.3% to 2%, as well as for the European Union, from 2.5% to 1.6% (Figure 2). Thus, the international context reflects less balanced economic growth than in the past due to the relatively low growth rates in Europe and Japan, making the global economy increasingly dependent on the United States and China.

Major risks and challenges of the global economic situation include the uncertain trajectory of oil prices and their effect on inflation and economic growth. Rapid price increases beginning in late January of this year pushed crude oil prices to levels which exceeded peak prices reached in October 2004, levels which in real terms had not been seen since the second oil crisis of the early 1980s. Although the increase in crude oil prices can be viewed as a sign of a healthier global economy, it is estimated that the oil industry is working at very close to its maximum production capacity, yielding an irreversible problem in the short and medium term (Figure 3).

TABLE 1

GLOBAL GDP AND TRADE, 2000-2005

(Annual percentage change)

	2000	2001	2002	2003	2004 a/	2005 b/
Global GDP	**4.7**	**2.4**	**3.0**	**4.0**	**5.1**	**4.3**
Developed countries	3.9	1.2	1.5	1.9	3.3	2.5
United States	3.7	0.8	1.6	2.7	4.2	3.5
Canada	5.2	1.8	3.1	2.0	2.9	2.9
European Union (25 countries)	3.9	2.0	1.3	1.3	2.5	1.6
Japan	2.4	0.2	-0.3	1.4	2.7	2.0
Newly industrialized Asian countries 1/	7.9	1.3	5.3	3.1	5.6	4.0
Emerging market and developing regions	5.8	4.1	4.8	6.5	7.3	6.4
Africa	3.3	4.1	3.6	4.6	5.3	4.5
Latin America and the Caribbean	4.0	0.3	-0.8	2.0	5.9	4.3
Middle East	4.9	3.7	4.2	6.5	5.5	5.4
Developing Asian countries	6.7	5.6	6.6	8.1	8.2	7.8
China	8.0	7.5	8.3	9.5	9.5	9.0
World trade volume (goods and services)	**12.4**	**0.1**	**3.4**	**5.4**	**10.3**	**7.0**

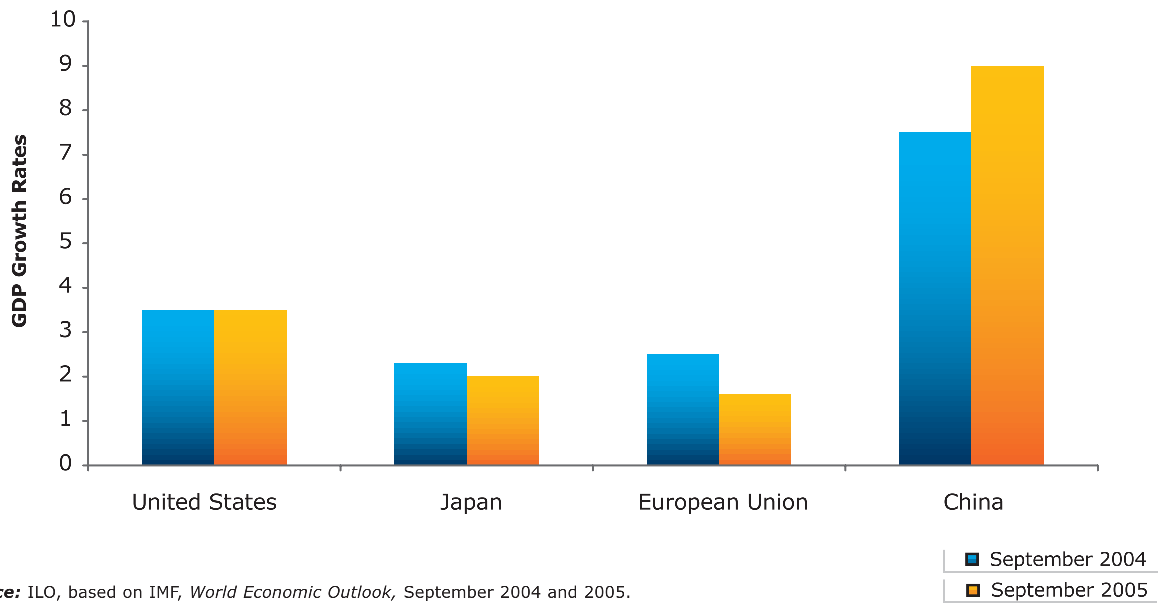
Source: ILO based on IMF, *World Economic Outlook*, September 2005 and ECLAC.

1/ Includes China, Hong Kong, South Korea, Singapore and Taiwan.
a/ Estimated.
b/ Projections.

FIGURE 2

PROJECTED GDP GROWTH RATES IN 2005 FOR THE WORLD'S LEADING ECONOMIES

(Percentages)



Source: ILO, based on IMF, *World Economic Outlook,* September 2004 and 2005.

The growing deficit in the United States current account in the balance of payments continues to pose a major risk for the global economy due to its potential effects on interest rates and the value of the dollar. In contrast to the forecasts in early 2004, which predicted an improvement in this indicator due to the depreciation of the dollar and an expected economic growth of greater magnitude than actually observed in Japan and Europe, the trade deficit of the United States increased to 5.2% of GDP in 2004, whereas the current account deficit reached 5.7%, both record highs. Although these imbalances do not pose an imminent threat, they suggest a slower growth in the world economy in the medium term.

To address this issue, the U.S. Federal Reserve implemented a policy of raising interest rates in gradual increments beginning in mid-2004. International financial markets have adjusted to the policy without major change and the country risk of emerging industrialized countries continued to decline to historic lows.

Economic Growth and Unemployment in the Leading World Economies

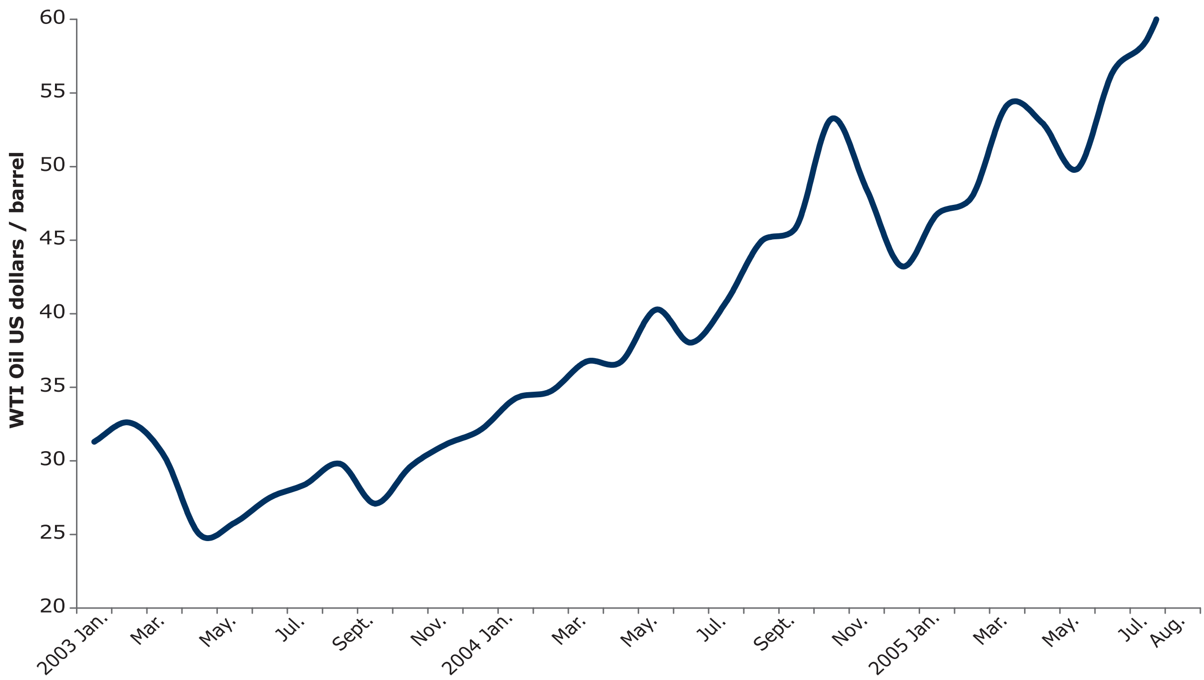
The GDP of the United States grew 4.2% in 2004, driven by an upswing in manufacturing activity. This led to a rise in employment, whose recovery had stagnated in 2003. At the beginning of the current expansion phase, the economic recovery of the United States was based mainly on stronger consumer spending. In 2004 and the beginning of this year, a greater balance among sources of economic growth has been observed, with investment playing an increasingly key role.

According to the latest available statistics, the GDP of the United States grew 3.6% during the first semester of 2005, a figure below the 4.7% recorded during the same period last year. Private consumption rose 3.7%, particularly in durable goods (5.7%).The rest of GDP growth is explained by the increase in private investment (7.1%). Government spending declined slightly from 2.3% in the first semester of 2004 to

FIGURE 3

CHANGE IN OIL PRICES. JANUARY 2003-AUGUST 2005 a/

(US dollars/barrel)



Source: ILO, based on Bloomberg.

a/ West Texas Intermediate (WTI) oil US dollars/barrel.

1.8% in the same period of 2005 and the trade deficit again had a negative impact on GDP growth.

The quarterly analysis of public accounts shows a sharp reduction in the fiscal deficit, which after remaining above 4% for eight quarters, decreased to 3.8% during the last quarter of 2004 and stood at 3.2% during the first quarter of 2005. For its part, the current account continued to worsen, reaching a 40-year record: a deficit of 6.4% of GDP (seasonally adjusted) in the first quarter. Projections continue to point to a 2005 current account deficit which will surpass that of 2004.

Notwithstanding economic growth, the labour market experienced job growth which was considerably slower than the average during previous recoveries, which indicates that job creation has not managed to gain momentum. The unemployment rate in the United States was an estimated 5.5% in 2004, a half percentage point lower than the rate for 2003. During the first semester of 2005, 1.1 million new jobs were created, at a monthly average approaching that of 2004, led by the service sector. The manufacturing sector had weak performance as a result of a cutback in automotive production. The real wage in that sector declined slightly (-0.4%) with respect to the same period in 2004. With these overall results, the unemployment rate fell from 5.6% during the first semester of 2004 to 5.2% in the same period this year (Figure 4).

At the close of this edition, the full effects of Hurricane Katrina on GDP growth and the labour market in the United States are not known. Nonetheless, the damage to infrastructure in the petroleum industry could imply a slower rate of economic growth in this country.

The Canadian economy also grew in 2004 (2.9% compared with 2% in 2003), strengthened mainly by export growth and a context in which monetary officials reactivated the gradual upward adjustment of interest rates and fiscal discipline was maintained. The average annual unemployment rate was 7.2% in 2004 (7.6% in 2003). In the first quarter of 2005, Canada's GDP grew 3.3%, or 1.2 percentage points higher than the rate recorded for the same period in 2004. At this rate, the Central Bank of Canada estimates that the economy is operating near production capacity. In the first semester of 2004, as compared with the same period in 2005, the unemployment rate fell from 7.2% to 6.9%, whereas real manufacturing wages remained unchanged.

After experiencing vigorous growth in the first quarter of 2004, driven by export demand in China and the United States, Japan's GDP registered slower growth in subsequent quarters of 2004. Annual growth stood at 2.7% (1.4% in 2003). The Japanese economy is very sensitive to foreign demand for exports and to growth of the Chinese economy, which has become a key trading partner, although the United States continues to be its main market. In the first half of 2005, a recovery in domestic demand, both in private consumption and investment, have outweighed slack exports. In the first semester of 2005, GDP grew 1.7%, as compared with 3.9% during the same period in 2004.

Currently, the stimulus for the Japanese economy centres on the expansive monetary policy of the Bank of Japan, characterized by low interest rates and a strong increase in monetary aggregates. A significant fiscal deficit remains, which exceeds all levels for developed countries (7.2% of the GDP). The surplus in the current account was 3.7% of GDP at the end of 2004, which is expected to fall slightly in 2005 and 2006. Although deflationary pressures have eased, with inflation at 0% in 2004, deflation is projected to be 0.4% this year and 0.1% in 2006.

The Japanese labour market is shifting toward fulltime employment, which is increasing for the first time in eight years, whereas the growth of part-time employment has slowed, leading to an increase in earnings. The unemployment rate for the first semester of 2005 was 4.4%, which is higher than the rate for the end of the past decade, although it is below the 4.8% recorded for the same period last year.

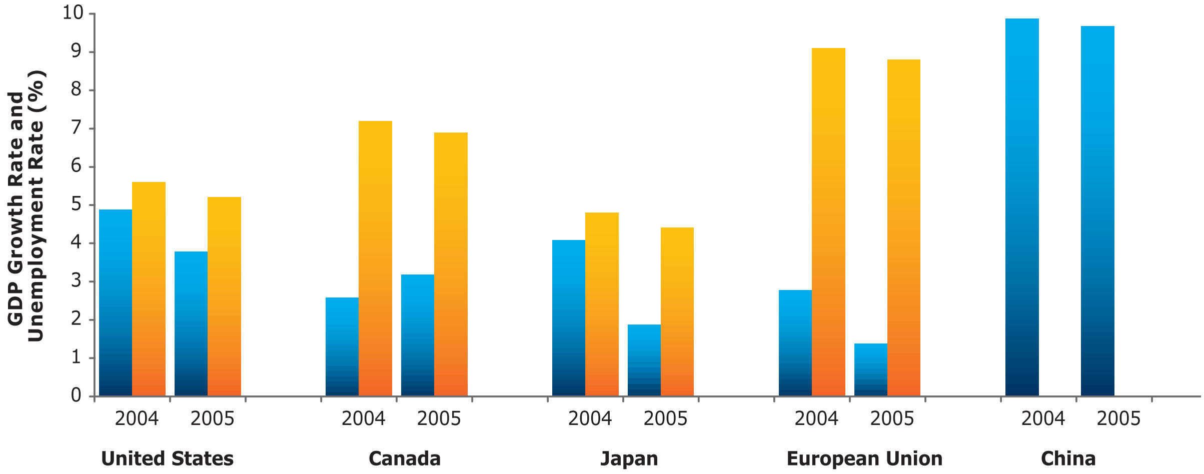
As mentioned, the European Union (25 countries) had weak economic growth. GDP growth was 2.5% in 2004, which, although higher than that recorded in 2003 (1.3%), is still considered low. The slackness of economic activity observed from mid-2004 until early this year can be partially attributed to the sharp increases in oil prices and to the dampening effect of the accumulated appreciation of the euro. Another contributing factor is the political climate in the European Union after France and the Netherlands rejected the European Constitution in their respective referenda, in addition to France's threat to leave the euro zone. Terrorist attacks in Spain and the United Kingdom also had an impact. In the first semester of 2005, GDP growth was 1.2%, less than that of the same period in 2004 (2.6%).

For the second year in a row, the unemployment rate in the European Union remained at 9% in 2004. During the first semester of 2005, the unemployment rate was estimated at 8.8% (9.1% in 2004). The unemployment rates during the first semester of 2005 among European Union member states experienced diverse trends as compared with rates for the same period in 2004. Whereas the unemployment rate

FIGURE 4

GDP GROWTH RATES AND UNEMPLOYMENT RATES IN THE WORLD'S LEADING ECONOMIES, 2004-2005 a/

(Percentages)



Source: ILO, based on official information from the countries; European Union, Eurostat

a/ GDP growth and unemployment rate correspond to the first semester. There are no unemployment rate figures available for China.

remained unchanged at 4.7% in the United Kingdom, it rose in Germany (from 9.5% to 9.7%) and France (from 9.6% to 9.7%). In Spain, the rate declined (from 11.2% to 9.8%) as it did in Italy (from 8.2% to 7.8%).

In 2004, China's GDP grew 9.5%, the same rate observed in 2003, despite government measures to prevent the economy from expanding too rapidly throughout the year. These measures included increasing bank interest rates in October 2004, the first such move in nine years. The strong economic growth reflected the healthy export sector and the strength of domestic demand. This extraordinary activity stimulated trade in several countries, particularly those of Latin America, due to increased imports in China, for products such as soybeans and other foodstuffs, as well as copper and iron. According to the Economic Commission for Latin America and the Caribbean (ECLAC), in the first five months of 2004, Chinese purchases in the region grew 68.8%.

China had a GDP growth of 9.5% in the first semester of 2005, 0.2 percentage points less than that for the same period in 2004. Although slower growth is expected in the second semester, the measures taken to diminish growth clearly have not achieved the expected results. However, recent monthly indicators referring to manufacturing production showed a decline in the first semester, for which reason analysts believe a slight deceleration is occurring in the Chinese economy, as reflected in an estimated growth rate of 9% for the year.

During the third week of July this year, the Central Bank of China made the decision to abandon the fixed exchange rate policy linking the yuan to the dollar which had been in place for 10 years. The new policy adopted a floating exchange rate based on a basket of currencies. The immediate impact of the measure was a 2.1% appreciation of the yuan with respect to the dollar. At the same time, increases were recorded in the oil market and in the yield of long-term U.S. bonds. In the long term, this measure could affect the competitiveness of Chinese exports on the global market. Its impact on Latin America will depend on the level of appreciation of the yuan in the coming months, although the continuing strength of the Chinese economy most likely will have a greater effect on Latin American products than will the new exchange rate policy.

EXPANSION OF EXPORTS AND DOMESTIC DEMAND DROVE ECONOMIC GROWTH IN THE REGION IN 2004

The positive global conditions, which were reflected in export growth and improvements in the terms of trade, as well as in the recovery of domestic demand, particularly in the second half of 2004, firmed up the economic recovery underway in Latin America and the Caribbean. According to ECLAC estimates, regional GDP grew 5.9% in 2004, which was much higher than growth in 2003 (2%), surpassing the most optimistic forecasts and setting the highest growth record in the past 25 years.

Economic growth was widespread throughout the region. Except for Haiti, all countries recorded positive growth rates. Some countries experienced strong recoveries following severe crises, such as Venezuela, where GDP rose (17.9%) and Uruguay (12.3%). Other countries that experienced GDP growth close to or exceeding 5% were Argentina (9%), Brazil (4.9%), Chile (6.1%), Ecuador (6.9%), Honduras (5%), Nicaragua (5.1%), Panama (6.2%) and Peru (4.8%) (Table 11-A of the Statistical Annex).

Unlike previous recovery phases, the strong economic growth of the region had two unique, related characteristics. On the one hand, for the second consecutive year, GDP growth occurred simultaneously with an improvement in the current account in the balance of payments, equivalent to 0.9% of the GDP, despite the accelerated economic growth. This situation is unusual because in the past, improvements in the current account were the result of a downturn in imports due to weakened domestic demand in the countries. Each time the pace of economic activity increased, the current account had a tendency to deteriorate.

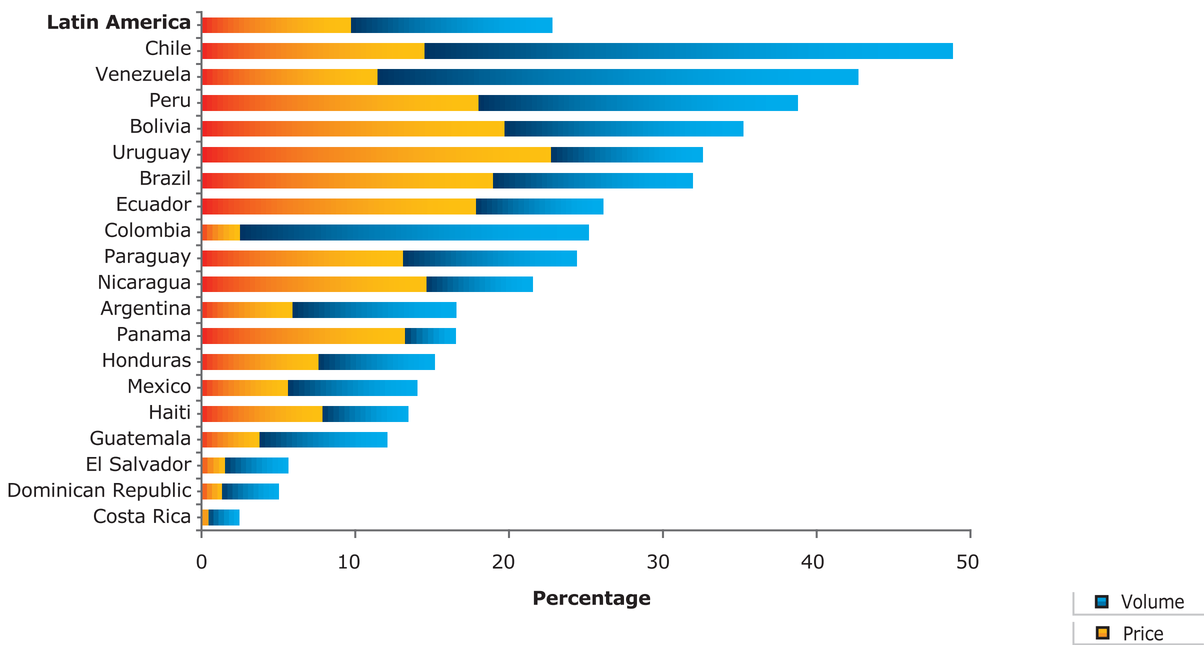
On the other hand, in 2004, at the same time country risk levels declined, the GDP increased in a context of capital outflows, which led to a reduction of the region's obligations with other countries. In the past, in contrast, capital outflows were associated with traumatic situations, such as the flight of financial assets, devaluations and economic downturns.

These results largely reflect the fact that exports led growth, followed by investment and consumption. According to ECLAC, exports rose to historic levels, reaching 22.8% (9.7% in terms of volume and 12% in prices) whereas imports grew 21.7% (14.5% in terms of volume and 6.3% in prices), yielding a positive trade balance for the third consecutive year, equivalent to 2.9% of GDP. Many countries, particularly those of South America, benefited from the sharp price increases for primary sector goods, which largely resulted from the aforementioned expansion of exports to China, together with the growth of the U.S. economy (Figure 5).

The exchange rate policies applied by central banks of the region, which largely have shifted from a fixed exchange rate policy to a flexible one in recent years, signalled a positive change for export competitiveness

FIGURE 5

LATIN AMERICA: SELECTED COUNTRIES
PERCENTAGE INCREASE IN EXPORTS, BY COUNTRY, 2004
(By volume and price)

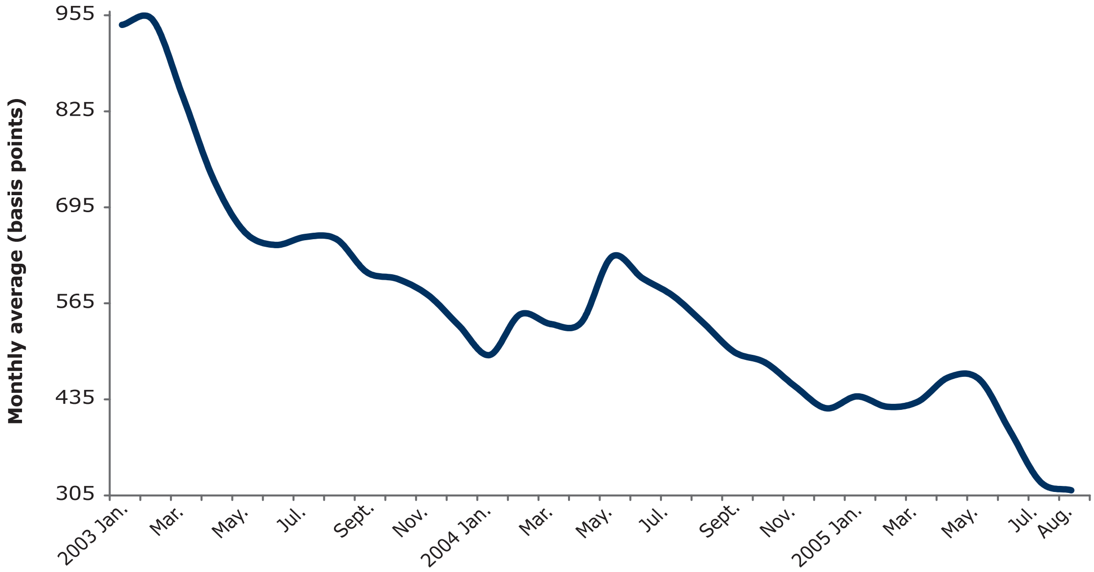


Source: ILO, based on ECLAC and official country information.

FIGURE 6

AVERAGE GLOBAL SPREAD FOR LATIN AMERICA, JANUARY 2003- AUGUST 2005 a/

(Monthly average, basis points)



Source: ILO, based on JP Morgan Chase

a/ The global spread is the premium expressed in basis points per year, which investors require for investing in debt instruments of the government of a country other than the United States.

The EMBI global spread (Emerging Markets Bond Index global spread) is a weighted average of global spreads according to the market capitalization of each instrument. The index contains instruments expressed in dollars issued by governments and quasi-fiscal entities. It includes Brady Bonds and Eurobonds, among others.

by maintaining a relatively stable real depreciation, considering the high prices of primary goods and the increase in export volumes.

Together with the positive export results, remittances from Latin American and Caribbean workers residing abroad played a key role. According to the Multilateral Investment Fund (MIF) of the Inter-American Development Bank (IDB), remittances amounted to a record US$ 45.8 billion in 2004 (as compared with US$ 38 billion last year), transforming the region into the leading destination for remittances in the world.

Foreign direct investment (FDI) grew 38.4% in the region during 2004 (ECLAC), rising to nearly US$ 43.9 billion after registering consecutive decreases since 1999. The counterpart was an outflow of financial capital totalling US$ 49.6 billion, part of which corresponds to foreign debt payment and the other to the establishment of assets abroad. Unlike in the past, this capital outflow took place in a context of a sharp decline of country risk levels, which approached their historic minimums (Figure 6).

The increase in domestic savings and the improvement in the foreign debt situation also characterized the region's economic recovery. After falling in 2001, domestic savings rose for the third consecutive year, representing 22.8% of GDP in 2004. Moreover, in a context of widespread economic growth and low global interest rates, the foreign debt declined from 42.7% of GDP in 2003 to 35.7% in 2004. In addition, some countries took advantage of the favourable economic situation to extend due dates on servicing their foreign debt and issue bonds in local currency.

The regional inflation rate maintained its downward trend at 6.5% in 2004, as compared with 10.6% in 2003, due mainly to the decrease that occurred in Argentina (13.4% to 4.4%), Brazil (14.8% to 6.6%), Paraguay (14.2% to 5.2%) and Venezuela (31.1% to 21.7%). Despite the regional trend, several countries recorded somewhat higher rates than the previous year, such as Bolivia, Honduras, Mexico and Peru and some even experienced sharp increases, especially Central American countries such as Costa Rica, the Dominican Republic, El Salvador, Guatemala, Jamaica and Nicaragua, due to their heavy dependence on oil imports and other primary sector goods. In Barbados and Trinidad and Tobago, inflation remained unchanged during the period (Table 10-A of the Statistical Annex).

ECONOMIC PERSPECTIVES FOR THE REGION IN 2005

Economic growth forecasts for Latin America and the Caribbean in 2005 were modified to take into account the trends in late 2004 and early 2005 and the expected slowdown in the global economy. Forecasts have varied from 3.6%, estimated by the IMF in September 2004, to 4.3%, estimated by ECLAC in August 2005. Although forecasts point to a reduced rate of growth in 2005 with respect to 2004 (5.9%), all countries of the region will experience economic growth (even Haiti, which had a recession in 2004), which means that the region will undergo a three-year period of GDP expansion (Table 2).

The global scenario will most likely be positive for the remainder of the year, with favourable economic growth and terms of trade since prices of several primary good exports remain relatively high, although a slight decrease is expected toward the end of 2005. Likewise, it is estimated that the trend of strong export growth will be sufficient to outweigh the rise in imports associated with the increased economic activity.

In addition to the extraordinarily favourable conditions of external demand, which is not risk free as discussed previously, another determinant of regional economic growth is a healthy macroeconomic situation at the

TABLE 2

LATIN AMERICA: SELECTED COUNTRIES
GDP GROWTH PROJECTIONS, 2005

Countries	Rate of GDP Growth						
	Reference		Projections				
			IMF			ECLAC	
			(Sept. 2004)	(Apr. 2005)	(Sept. 2005)	(Dec. 2004)	(Aug. 2005)
	2003	2004	2005	2005	2005	2005	2005
Argentina	8.8	9.0	4.0	6.0	7.5	5.0	7.3
Bolivia	2.8	3.6	4.5	4.4	3.9	4.0	3.5
Brazil	0.5	4.9	3.5	3.7	3.3	4.0	3.0
Chile	3.7	6.1	4.7	6.1	5.9	6.0	6.0
Colombia	4.1	4.1	4.0	4.0	4.0	3.0	4.0
Costa Rica	6.5	4.2	3.5	3.2	3.2	3.5	3.0
Dominican Republic	-1.9	2.0	3.2	2.5	4.5	2.0	3.5
Ecuador	2.7	6.9	4.0	3.9	2.7	3.5	3.0
El Salvador	1.8	1.5	2.5	2.5	2.0	2.0	2.5
Guatemala	2.1	2.7	3.1	3.1	3.2	3.0	3.0
Haiti	0.5	-3.8	3.0	2.5	1.5	2.0	3.0
Honduras	3.5	5.0	4.0	4.0	4.2	4.0	4.5
Mexico	1.4	4.4	3.2	3.7	3.0	3.6	3.6
Nicaragua	2.3	5.1	3.8	3.5	3.5	3.5	4.0
Panama	4.3	6.2	3.7	3.5	3.5	4.5	4.5
Paraguay	3.8	4.0	2.5	2.5	3.0	3.5	2.8
Peru	4.0	4.8	4.5	4.5	5.5	4.0	5.5
Uruguay	2.2	12.3	3.5	5.0	6.0	6.0	6.2
Venezuela	-7.7	17.9	3.5	4.6	7.8	5.0	7.0
Caribbean	6.5	3.9	n.d	n.d	n.d	4.0	4.0
Latin America and the Caribbean	2.0	5.9	3.6	4.1	4.1	5.5	4.3

Source: ILO based on IMF and ECLAC.

national level. The region is experiencing a surplus in the current account, which will allow it to maintain relatively high economic growth rates while maintaining a high real exchange rate, which benefits exports. A multiplier effect is stimulating an increase in domestic demand, and repressed consumer demand is diminishing due to the effects of three consecutive years of economic growth and its favourable impact on low wages and high unemployment.

Moreover, it is encouraging that many countries of the region have taken advantage of the favourable economic conditions to strengthen their fiscal situation, make advance payments on their 2005 obligations and improve their debt structure. Likewise, given recent inflationary trends, several central banks (including those of Brazil, Mexico and Peru) have adjusted their monetary policies and have thus improved the credibility of their relatively new inflation targets.

However, forecasts are based on the assumption of smooth, gradual adjustments of world imbalances rather than on a brusque adjustment of the global economy. Among the short-term risks affecting the region is the possibility of a greater than expected increase in interest rates in developed countries, an expansion of global spreads and its impact on debt, higher increases in oil prices and a prolonged slowdown in economic growth among developed nations. In addition, the effects on fiscal accounts of oil exporting countries (Colombia, Ecuador, Mexico, Trinidad and Tobago and Venezuela) may differ from those of other countries of the region, where high energy prices hamper development.

In summary, economic growth perspectives for Latin America and the Caribbean continue to be favourable, although less so than in 2004. Domestic demand will play a more important role, along with consumption and investment. The effective management of monetary and fiscal policies is expected to continue. Therefore, it is essential to exploit the current economic situation to capitalize on progress to date in terms of economic policy. Next year, the regional context presents more unknowns on the external front since there is growing uncertainty with respect to the change in global risks, as well as on the domestic side, due to presidential elections in several countries of the region throughout the year. In the medium term, social actors of the region should take the opportunity to change the conditions of their country's entry into the global economy, which is still overly dependent on primary goods with little added value, particularly in South American countries. In addition, the pattern of exports based on low wages should be modified, particularly in Central America and, to a lesser extent in Mexico.

Economic Growth in the Region in the First Semester of 2005

With data for a group of nine selected countries that generate close to 95% of the regional GDP, the economic growth of the region was estimated at 4.6% in the first semester of 2005, below the 6% reported in the same period of 2004 (Figure 7 and Table 8-B of the Statistical Annex). Nevertheless, a statistical effect should be taken into account since the year-over-year comparison is made with the very high level registered last year, influenced by the high growth rates of Argentina, Uruguay and Venezuela, countries which had negative growth (except for Argentina) in the same semester of 2003.

The GDP of all nine countries analyzed grew in the first semester of 2005. Only Chile, Colombia and Peru registered a higher growth rate with respect to the same period in 2004, whereas the other six countries (Argentina, Brazil, Ecuador, Mexico, Uruguay and Venezuela) experienced slower growth. This trend is expected to continue in the remaining quarters of the year, depending on the performance of the global economy, particularly the economies of the United States and Asian countries.

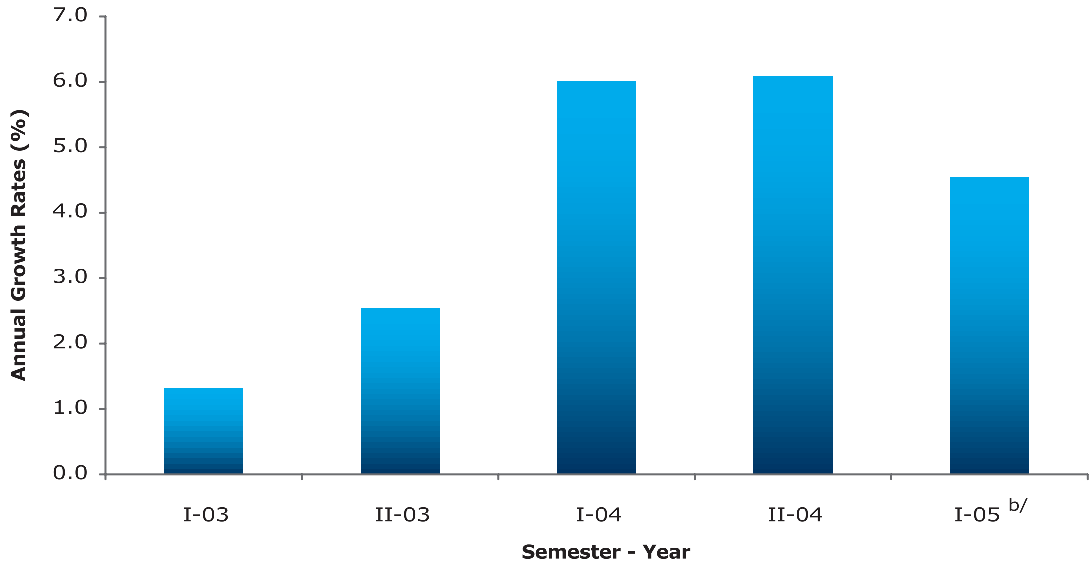
Economic growth in Argentina during the first semester of 2005 was 9.1%, a rate similar to that registered in the same period of 2004 (9.2%). The goods-producing sector experienced growth of 9.8%, led by the agricultural (17.3%), construction (16%) and manufacturing (6.8%) industries whereas growth in services rose 7.8%. Sectors associated with traded goods drove the initial economic recovery in Argentina beginning in the third quarter of 2003, a recovery that later extended to all other sectors, including public and private investment and consumption.

Economic activity in Brazil rose 3.4% as compared with the same semester last year, led by sectors dependent on foreign demand. The agricultural sector grew 2.9% as a result of the crop harvests in this period, such as soybean and cotton. Manufacturing activity increased 4.4% whereas industries with the highest rates of growth were mineral extraction and processing (10.6% and 3.9%, respectively). The service sector also enjoyed positive growth, expanding 2.4% and registering positive rates in nearly all component industries. Communication (-2.3%) was the only industry that experienced negative growth.

In the first semester of the year, Chile's economy expanded 6.3%, or 1.3 percentage points higher than the rate during the same period last year. Construction led growth with an 11.8% increase, followed by trade

FIGURE 7

LATIN AMERICA: SELECTED COUNTRIES a/
AVERAGE GDP GROWTH, FIRST SEMESTER 2003 - FIRST SEMESTER 2005
(Annual percentage change)



Source: ILO, based on official country information.

a/ The selected countries are Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Peru, Uruguay and Venezuela.
b/ Estimate.

at 9%. Transportation (7.7%) also experienced strong growth, as did financial and business services (6.4%). As a result, non-traded sectors drove growth in the period, yielding higher job growth.

Colombia's GDP increased 4.8% with respect to the first semester of 2004. Analyzing this result by industries, the construction sector (9.5%) experienced the strongest growth, followed by trade (9.4%) and transportation, storage and communications (4.5%). The industries that recorded the lowest growth were electricity, gas and waterworks (2.5%) and manufacturing (2%).

Ecuador experienced GDP growth of 3.1% in the first six months of 2005 as compared with the same period of 2004. This growth was the result of annual increases in fisheries (11.2%), financial services (8.5%), electric and gas services (7.3%), trade (5.4%) and manufacturing industries (4.7%). In contrast, a downturn occurred in construction (-1.6%) and in the manufacture of oil-derived products (-4.4%).

In Mexico, the GDP rose 2.8% during the first semester of the year, as compared with 4% for the same period in 2004. Services grew 4.1% as a result of an increase in the transportation, storage and communications sector (7.5%), as well as in financial services (5.3%) and trade (3.4%). There was a recovery in construction (3%), while agricultural activity declined (-2.4%).

In Peru, economic activity increased 5.9% during the first semester of 2005 compared with the same period last year. With this result, the country has enjoyed eight consecutive semesters of positive economic growth. Analyzing sector performance, the expansion reflects increases in the agricultural (4.6%) and manufacturing (6.5%) sectors, the latter driven by higher production of consumer goods (6.1%) and intermediate goods (12.1%). Electricity and waterworks registered growth of 4.7% while trade expanded 7.1%. Growth in the construction sector reached 5.1% and was favoured by the development of public housing programmes.

In Uruguay and Venezuela, economic growth continued to expand rapidly in the first six months of the year with respect to the same period in 2004, although signs of deceleration are beginning to appear. It was clear that the pace of growth in these countries would not continue considering the high levels of growth recorded last year. Uruguay's GDP grew 6.9% in the first semester in inter-annual terms, a rate below that of the same period last year (13.3%). In the year-over-year comparison, production expanded in all sectors. The most dynamic sectors and those having the greatest impact on total growth were trade, restaurants and hotels (12.8%) and transportation and communications (13.2%), followed by manufacturing industries (5.7%), agriculture (4.3%) and construction (3%).

Annualized GDP growth in Venezuela reached 9.3% during the first semester (24% in 2004). This was largely due to the performance of the non-oil sector (10.4%), particularly trade (20.1%), construction (17.9%), transportation and storage (16.8%) and communications (16.6%). The oil sector grew just 1.5% in the period, a result that has an important statistical effect considering the high level in the base period of the first semester of 2004 (a growth of 27.9% with respect to the same period in 2003).

LABOUR MARKET IMPROVED IN THE REGION IN 2004, BUT UNEMPLOYMENT REMAINED HIGH

The region's healthy economic growth in 2004 fostered an improvement in the labour market in the region. The weighted average urban unemployment rate for the region fell from 11.1% in 2003 to 10.2% in 2004 (Table 1-A of the Statistical Annex). Taking into consideration the methodological changes in the household surveys that measure unemployment in Brazil (2002) and Argentina (2003), the unemployment rate in 2004 was similar to that recorded in 1998, thereby maintaining the high level of unemployment that has characterized the region since the mid-1990s.

Estimates for 2004 based on data from a group of countries representing 95% of the regional GDP and 89% of the urban labour force indicate that GDP growth (6%) generated a 3.1% rise in employment, exceeding the 2.1% increase in the urban labour force. As a result, labour productivity grew 2.8%.

The decrease in the regional unemployment rate in 2004 resulted from an increase in labour demand that exceeded the slight increase in the labour supply. In effect, as a consequence of economic growth, the employment-to-population ratio increased from 52% in 2003 to 52.7% in 2004, benefiting most of the countries in the region since it increased in 12 of the 16 countries with available information. The regional labour force participation rate inched up from 58.7% to 58.8%. This slight increase in the labour supply should be analyzed considering the sharp rise in the regional labour force participation rate in 2003 (1.5 percentage points higher than that of 2002), reflecting the marked increase in the labour force participation rate in Brazil (1.8 percentage points), which rose only slightly in 2004. Likewise, in Argentina, Colombia, Costa Rica, El Salvador and Venezuela, labour supply declined in 2004 after increasing in 2003. In the remaining countries (10 in total), labour supply performance in 2004 was pro-cyclical, influenced by expectations of economic improvement, as well as by the growing participation of women in the labour force.

Nevertheless, the positive labour market results did not affect all countries of the region equally. In Brazil and Mexico, which together represent nearly 60% of the regional labour force and therefore largely determine the average regional unemployment rate, the indicator performed differently. In Brazil, the unemployment rate decreased whereas it increased in Mexico. In Argentina, Uruguay and Venezuela, countries where unemployment has risen sharply in recent years, the year-over-year comparison of the corresponding rates was favourable. In Barbados, Panama, Paraguay and Trinidad and Tobago, the percentage growth in labour demand outweighed that in supply, causing these countries' unemployment rates to fall. Unemployment also declined in Colombia, but unlike the other countries, the decrease was the result of a reduced labour supply, which offset the effect of a decline in labour demand. In contrast, in Chile, the Dominican Republic, Ecuador, El Salvador, Honduras and Jamaica, the unemployment rate increased, while it remained unchanged in Costa Rica and Peru (Figure 8, Tables 1-A and 1-B of the Statistical Annex).

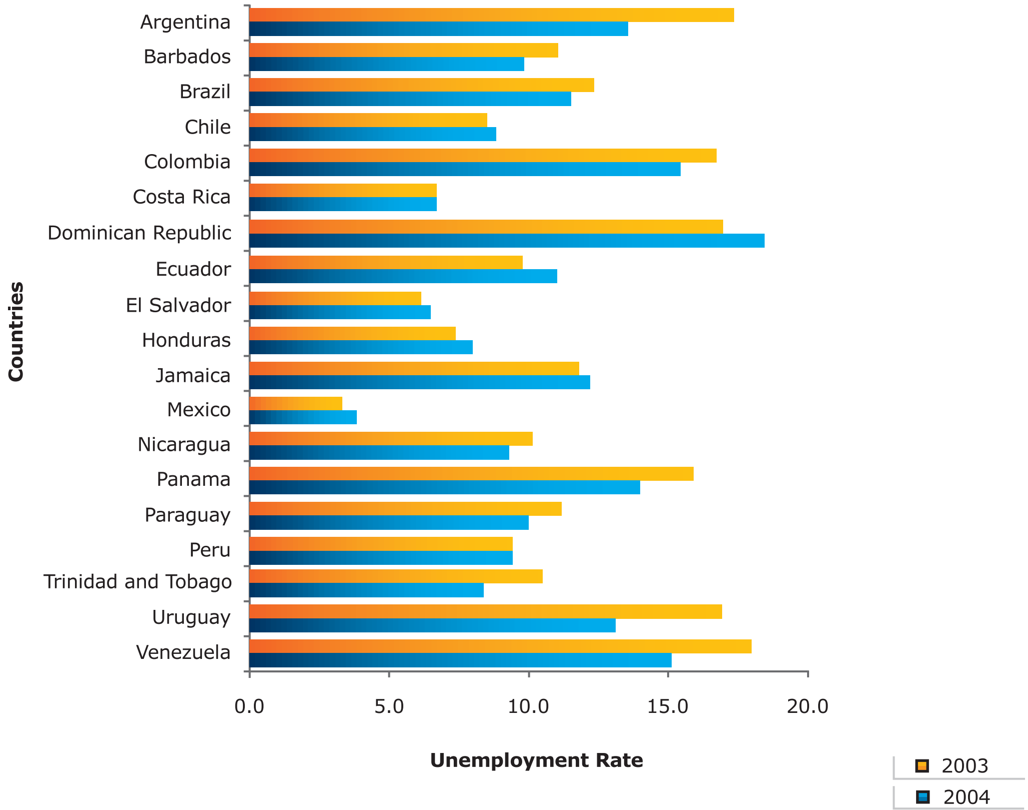
In Argentina, strong economic growth generated a significant increase in the employment-to-population ratio (2.2 percentage points) which, together with a slight decrease in the labour supply (0.1 percentage points), resulted in a reduction in the unemployment rate in 2004. If the measurement of unemployment were to include all employed persons whose primary occupation derived from the Unemployed Head of Household Programme (Plan de Jefes y Jefas de Hogar Desocupados) and who also were actively seeking employment, the average unemployment rate, estimated at 13.6%, would increase to 16.3%. This percentage would reach 18.1% if all individuals benefiting from the programme were counted as unemployed. The economic sectors that most contributed to the increase in employment were construction, hotels and restaurants and trade, accounting for 61.1% of new employment. Unlike in 2003, employment in the manufacturing sector increased only moderately.

The employment trend in Brazil also was positive. Unlike Argentina, there was a slight increase in the labour supply, which had sharply risen in 2003, among both men and women although the increase was greater among the latter. The labour force participation rate was pro-cyclical, increasing from 55.3% in 2002 to 57.1% in 2003, and reaching 57.2% in 2004. This

FIGURE 8

LATIN AMERICA AND THE CARIBBEAN: SELECTED COUNTRIES UNEMPLOYMENT RATE BY COUNTRY, 2003 - 2004

(Percentages)



Source: ILO, based on official country information (Table 1-A, Statistical Annex).

slight increase in the labour supply in 2004 was compensated by a moderate rise in labour demand (the employment-to-population ratio rose from 50.1% to 50.6%). In the first months of the year, the unemployment rate in the key metropolitan regions reached a high of 13.1% in June but later fell to 9.6% in December. This led to a decline in the annual average, from 12.3% in 2003 to 11.5% in 2004. Economic activity increased across all sectors, as did the demand for employment. In particular, the manufacturing sector experienced a significant increase in demand for employment, especially in the production of durable consumer goods and capital goods, followed by the construction service and trade sectors.

In contrast to the above countries, Chile experienced increased unemployment in 2004. Despite economic growth, the employment-to-population ratio showed little change (it increased just 0.1 percentage points) and was insufficient to offset the increase in the labour supply (0.3 percentage points), yielding an increase in the unemployment rate to 8.8% in 2004, up from 8.5% in 2003. The manufacturing sector was most affected by unemployment, whereas the financial and community, social and personal service sectors generated the most employment. Wage and salaried employment was much more sensitive to the economic cycle, registering annual growth rates unseen since 1999. In contrast, employment in the self-employment and agricultural sectors decreased.

The unemployment rate in Colombia (13 metropolitan areas) declined from 16.7% in 2003 to 15.4% in 2004, but unlike the other countries with declining unemployment, in this country the change was explained by a decrease in the labour force participation rate (it fell 1.6 percentage points), rather than by an increase in labour demand since the employment-to-population ratio also experienced a modest decrease in the period (a decline of 0.5 percentage points). The trend of a declining labour supply recorded throughout the year in 2004, which continued in the first months of this year, largely reflects the higher school enrolment as well as the effect of hiring in the armed forces, employment which is not registered in household surveys. The sectors with the highest labour demand were construction, trade, transportation and manufacturing.

Costa Rica's unemployment rate remained at 6.7% in 2004. Changes in labour supply and demand were of similar magnitude (both fell 0.5 percentage points), and despite declines in microprocessor exports, economic growth was sustained by exports, especially of agricultural products, and by tourism.

In Ecuador (Quito, Guayaquil and Cuenca), the unemployment rate rose to 11% in 2004 (9.8% in 2003). This reflected the fact that the increase in the labour supply (the labour force participation rate rose from 53.8% in 2003 to 55.8% in 2004) exceeded the growth of the employment-to-population ratio (which increased from 48.6% in 2003 to 49.7% in 2004). Economic growth was based primarily on the oil sector, which is not labour intensive, unlike non-oil sectors, which had insufficient growth for generating the employment necessary to absorb new individuals in the labour force.

In El Salvador, the urban unemployment rate increased (6.2% to 6.5%). This increase is attributed to the fact that the decline in labour demand was greater than the decrease in the labour supply (1.6 and 1.4 percentage points, respectively). Economic growth was weak at 1.5%, the lowest economic growth rate of the group of countries analyzed. This occurred despite the increased domestic demand that resulted from increased family remittances (equivalent to 16.2% of GDP, according to ECLAC). Economic growth was dampened by the slowdown in foreign demand, particularly in the labour-intensive *maquila* sector.

Job creation in Mexico did not lead to a decrease in the urban unemployment rate given that it was insufficient to offset the increased labour supply. The average unemployment rate in 2004 (3.8%) was 0.5 percentage points higher than that of 2003. Nevertheless, most economic sectors showed sharp increases in employment, including manufacturing, which experienced an increase in 2004, especially in the *maquiladora* export sector (5%). Notwithstanding, at the close of 2004, employment in this sector still demonstrated a loss of over 176,000 workers as compared with 2000, after three years of successive declines, even though foreign trade surpassed the levels reached that year. This is mainly because the textile *maquiladora* industry, the most labour-intensive in the *maquila* sector, experienced a strong contraction as a result of increased global competition and increases in labour productivity, which are reflected in decreases in demand for labour per exported dollar. Moreover, there was a 1.3% increase in the number of registered workers contributing to the Mexican Social Security Institute (IMSS), which was higher in the case of temporary workers than of permanent ones (2.1% versus 1.2%). At the end of 2004, the number of workers contributing to the IMSS using the seasonally adjusted series increased for 15 consecutive months. Despite this progress, in December 2004, the indicator remained below the level reached at the end of 2000.

In both Panama and Paraguay, the rise in the employment-to-population ratio exceeded the increase in the labour force participation rate, resulting in a decline in their respective unemployment rates. In Panama, the 2004 unemployment rate was estimated at 14% (15.9% in 2003). The most dynamic sectors were construction and agriculture, as well as trade and tourism. In Paraguay, the urban unemployment rate fell from 11.2% in 2003 to 10% in 2004. Unlike in 2003, employment grew across all sectors, particularly in agroindustry and trade.

In Peru, labour market indicators for Metropolitan Lima indicated that the increase in labour demand was insufficient to compensate for the growth in supply. For the third consecutive year, the average annual unemployment rate remained at 9.4%. The industry sectors with the greatest concentration of employment were construction followed by manufacturing and services, whereas trade registered a lower employment level than that of 2003.

The sharp increase in labour demand in Uruguay, which was greater than that of supply, was the result of widespread growth across all sectors, particularly manufacturing, trade and tourism, as well as those associated with agroindustry exports, which, as in most countries of the region, benefited from the upswing in international prices. The urban unemployment rate fell from 16.9% in 2003 to 13.1% in 2004.

In Venezuela, the increase in employment deriving from the economic recovery and the decline in the labour supply led to a significant decrease in the unemployment rate: 15.1% in 2004 compared with 18% in 2003. Economic growth was widespread, although the statistical effect of the low level in the base period of 2003 should be taken into account. Nevertheless, domestic demand improved, mainly due to the increase in international oil prices. The sectors with the greatest demand for labour were manufacturing, construction, trade, transportation and financial services.

In the Caribbean, both Barbados and Trinidad and Tobago recorded lower unemployment rates. In the former country, the rate decreased from 11% in 2003 to 9.8% in 2004 and in the latter, from 10.5% in 2003 to 8.4% in 2004. In both cases, the decrease was the result of a greater increase in labour demand than that of labour supply. In Barbados, the sectors generating the most employment were services, construction and finances whereas in Trinidad and Tobago, employment increased in the construction and finance sectors but fell in the agricultural sector. Unlike these two countries, in Jamaica, which was directly affected by natural disasters, labour demand fell whereas supply increased slightly, causing the unemployment rate to rise from 11.8% in 2003 to 12.2% in 2004. Agriculture and mining were the sectors most affected by unemployment.

Sectoral Composition of Non-agricultural Employment in 2003-2004

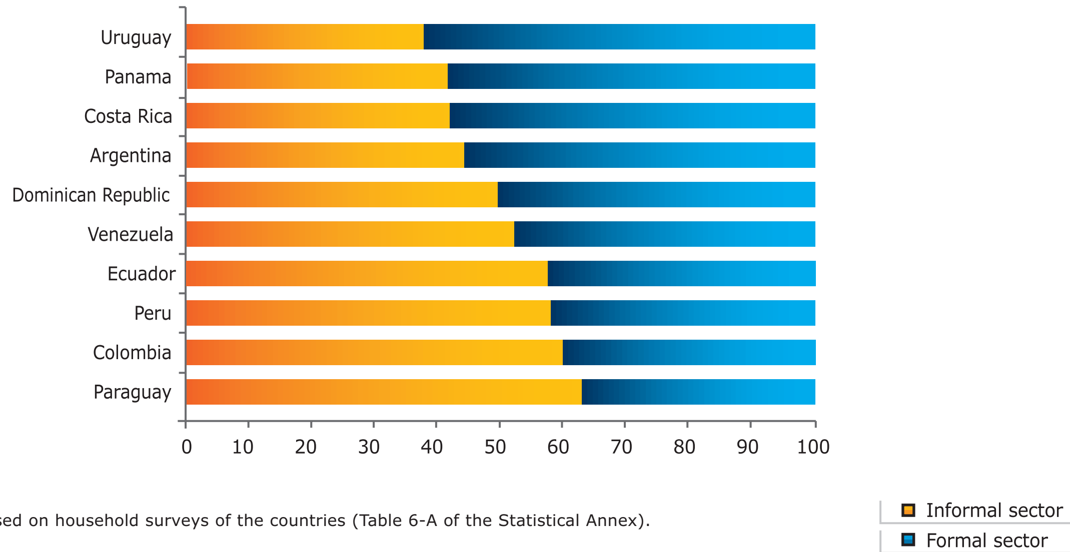
In recent decades, the sectoral composition and quality of non-agricultural employment in Latin America and the Caribbean have been characterized by a significant share in the informal employment sector and tertiary (services) sector employment. In the 10 countries with information available for 2004, the countries with the largest percentages of non-agricultural employment in the informal sector were Colombia, Ecuador, Paraguay and Peru, at close to 60%. The countries with the lowest percentages included Costa Rica (41.8%), Panama (41.6%), and Uruguay (37.7%), (Figure 9 and Table 6-A of the Statistical Annex).

During the 2003-2004 biennium, patterns of non-agricultural employment varied among the countries. In Argentina, Colombia, Panama, Uruguay and Venezuela, the share of formal sector employment increased, mainly due to an increase in the percentage of workers in small, medium and large private firms. This expansion of employment in formal sector firms offset the decrease in public sector employment in Argentina and Panama. In Costa Rica, the share of employment in the formal sector also increased, but the increase in public sector employment exceeded that of private sector employment. Taking into account the economic growth and reduced unemployment in these countries (except for Colombia and Costa Rica, where it remained constant), this situation can be partially explained by a context of job creation based on the growth of traded goods and in which formal sector firms had the strongest ties with the export sector, and were therefore the main generators of employment (Table 3).

In the Dominican Republic, Ecuador, Paraguay and Peru, the share of non-agricultural informal sector employment rose. Although in Ecuador and Paraguay unemployment declined, job creation occurred mainly among independent workers and in microenterprises, which can be viewed as an alternative to unemployment due to the ease of access to many of the occupations in this segment. In the Dominican Republic and Peru, the rise in informal sector employment was accompanied by an increase in unemployment, further demonstrating that the informal sector has evolved into a refuge for the unemployed.

FIGURE 9

LATIN AMERICA: SELECTED COUNTRIES
SHARE OF NON-AGRICULTURAL EMPLOYMENT IN THE INFORMAL SECTOR BY COUNTRY, 2004
(Percentages)



Source: ILO, based on household surveys of the countries (Table 6-A of the Statistical Annex).

TABLE 3

LATIN AMERICA: SELECTED COUNTRIES
SHARE OF NON-AGRICULTURAL EMPLOYMENT IN THE INFORMAL SECTOR AND THE UNEMPLOYMENT RATE, 2003 AND 2004
(Percentages)

Countries	Informal Sector		Unemployment Rate (*)	
	2003	2004	2003	2004
Argentina a/	46.5	44.3	14.5	12.1
Colombia b/	61.4	59.9	15.5	15.5
Costa Rica c/	43.4	41.8	6.7	6.7
Dominican Republic h/	48.8	49.5	17.0	18.4
Ecuador d/	56.5	57.6	11.5	8.6
Panama e/	42.6	41.6	15.9	14.0
Paraguay f/	61.7	62.9	11.2	10.0
Peru g/	55.9	58.0	10.3	10.5
Uruguay i/	39.1	37.7	16.9	13.1
Venezuela j/	53.6	52.2	16.6	13.5

Source: ILO, based on household surveys of the countries.

(*) Data for Colombia, Ecuador and Peru differ from the information presented in the Statistical Annex due to the distinct coverage (Colombia) and distinct source (Peru and Ecuador).

a/ Permanent Household Survey, 28 urban clusters, fourth quarter.
b/ Continuous Household Survey. Municipal seats, second quarter.
c/ Multipurpose Household Survey.
d Survey of Employment and Unemployment in the Urban Area, fourth quarter. INDEC
e/ Household Survey.
f/ Permanent Household Survey.
g/ Metropolitan Lima. National Household Survey. MTPS.
h/ National Labour Force Survey.
i/ Continuous Household Survey.
j/ Household Survey, first semester.

In these cases, the rise in informal sector employment prevented what might otherwise have been an even greater increase in unemployment.

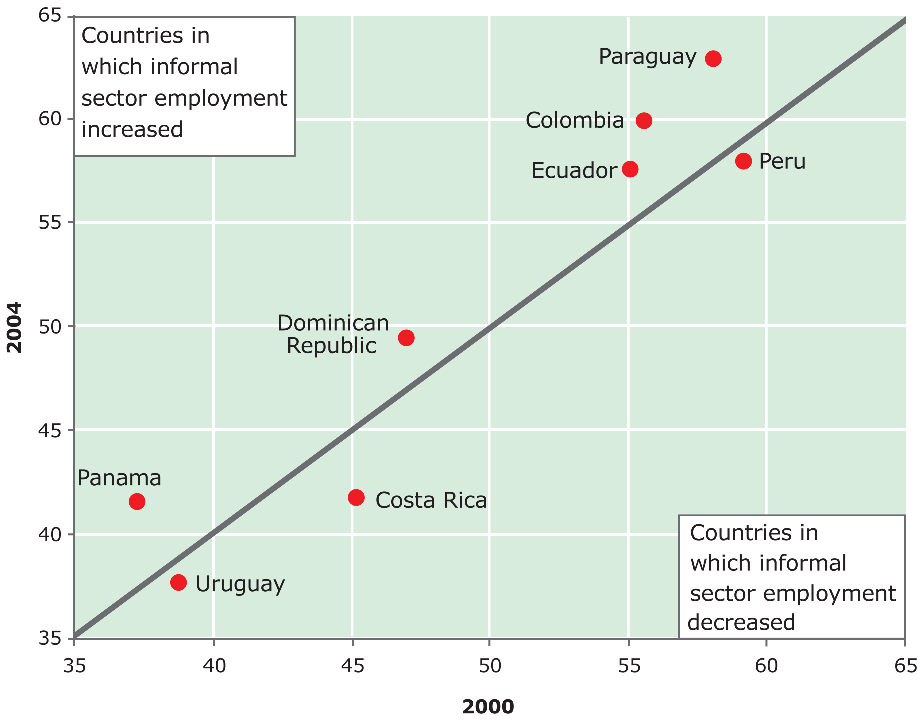
Furthermore, an analysis of the data by gender indicates that in Argentina and Uruguay, the decline in informal sector employment was due mainly to the reduced percentage share among men whereas the decrease was greater among women in Colombia, Costa Rica and Venezuela. In Panama, the declining share in informal sector employment was the result of a decrease in the percentage share of men's employment that exceeded the increased share among women.

In countries registering an increase in informal sector employment in 2004, the percentage increase in informal sector employment was higher among women than men in the Dominican Republic, Ecuador and Peru. The percentage increase was equal for both sexes only in Paraguay. Once again, gender inequality in the labour market as a whole was mirrored in the informal sector, given that only in Peru did women's informal employment increase most in microenterprises, which within the informal sector provide employment most closely resembling that of the formal sector. In the other countries, women increased their share of informal sector employment as self-employed workers or domestic servants, the relatively more precarious categories of the informal employment sector.

Despite the changes cited above for the period 2003-2004, it should be noted that when the information was analyzed for a group of selected countries with comparable information for the period 2000-2004, informal sector employment clearly increased in the majority of the countries (Figure 10). The greatest percentage increase occurred in Paraguay (with an increase of 4.8 percentage points between 1999 and 2004), followed by Colombia and Panama, which had the same increase (4.3 percentage points), and the Dominican Republic and Ecuador (2.5 percentage points for both countries). Only Costa Rica showed a clear downward trend in terms of share of informal sector

FIGURE 10

LATIN AMERICA: SELECTED COUNTRIES
CHANGE IN INFORMAL SECTOR EMPLOYMENT, BY COUNTRY, 2000 - 2004
(Percentage of non-agricultural employment)



Source: ILO, based on household surveys of the countries.

Note: The data for Paraguay refer to 1999 and 2004 whereas they refer to 2000 and 2004 for the rest of the countries.

employment in the structure of non-agricultural employment between 2000 and 2004 (a decline of 3.4 percentage points), whereas Peru and Uruguay experienced only a slight decrease (approximately 1.2 percentage points).

Social Protection in 2003-2004

With respect to the level of social protection of wage and salaried workers, statistics from the household surveys available in 2004 for seven countries as regards health coverage and pensions as a whole indicate that only three countries increased coverage between 2003 and 2004 (Argentina, Colombia and Costa Rica). Coverage remained practically unchanged in Ecuador and declined in Panama, Peru and Venezuela. The highest coverage in 2004 continued to be in Costa Rica (79.9%) and Panama (72.7%) whereas the lowest was in Ecuador and Peru, at nearly 48%. Moreover, the difference in coverage between formal and informal wage and salaried workers continues to be quite marked. The level of social protection among formal wage and salaried workers is close to double that of informal sector workers in Costa Rica, and triple and even quadruple that of wage and salaried workers of the informal sector in the other countries (Figure 11 and Table 7-A of the Statistical Annex).

In addition, the information on affiliation to *retirement or pension systems*, available only for Paraguay and Uruguay, shows characteristics similar to those mentioned above. In other words, there was low coverage and major disparities between wage and salaried workers of the formal employment sector and those of the informal employment sector. In 2004, 45.3% of wage and salaried workers of the formal sector in Paraguay had retirement coverage whereas only 4.3% of wage and salaried workers of the informal sector enjoyed this right. In Uruguay, the differences were significant but less marked: 87% coverage in the formal sector versus 32.9% in the informal sector.

In the 2003-2004 period, in both Paraguay and Uruguay, the share of wage and salaried workers affiliated with a pension system declined (2.3 and 1.9 percentage points, respectively). In both countries, these results reflected a decline in the share of pension affiliation in the formal and informal employment sectors. Nonetheless, the decline was greater in the formal sector in Paraguay while in Uruguay the informal sector suffered a more significant reduction. Moreover, whereas in Paraguay the decline in pension coverage was more pronounced among men than among women, in Uruguay the percent decline was of a similar magnitude for both sexes.

As the above paragraphs suggest, despite the reforms in the pension and health systems of several countries, including the incentive of reducing the gap between contributions and benefits, progress toward improving coverage is still insufficient in the region. The low coverage in social protection of the region is due to labour market participation under unfavourable conditions and even non-compliance with labour law. Likewise, the influence of structural factors on social protection, such as the increase in informal sector employment, the level of development of the countries in terms of the increased (or decreased) availability of resources, particularly public resources, and persistent economic instability, make it difficult for public and private entities to expand social protection coverage in the short term.

Change in Real Wages 2003-2004

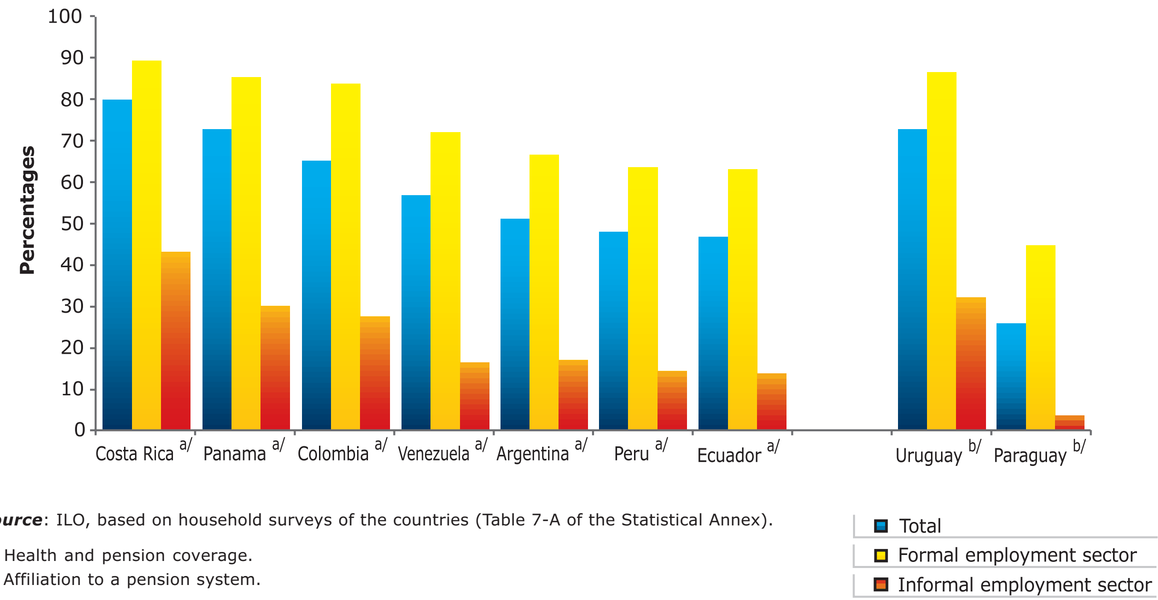
The weighted average of real manufacturing wages for the nine countries with available information at the close of 2004 grew 5.2%, leading to a recovery in real terms compared with the losses recorded in 2002 (-1.6%) and 2003 (-1.9%). Nevertheless, the change in 2004 was influenced by the change in this indicator in Argentina (21.1%). If this figure were excluded, the growth rate of real manufacturing wages would be 4.1% for the region. Given that productivity of the manufacturing sector was estimated to be three times higher than the average labour productivity for all sectors, the latter calculated at 2.8% for 2004, the increase in real manufacturing wages was less than the increase in labour productivity in this sector.

Besides Argentina, the countries recording an increase in real manufacturing wages in 2004 were Brazil (7.6%), Chile (1.3%), Colombia (1%) and Ecuador (6%). Mexico experienced no change whereas real manufacturing wages declined in Paraguay (-3%), Uruguay (-0.6%) and Venezuela (-5.3%), Table 8-A of the Statistical Annex).

Regarding the level of these wages, at the close of 2004, the real manufacturing wage in most of the selected countries exceeded that of 1990 although it continued to be below the 1990 level in some countries. Thus, in Argentina, despite the important strides in real terms registered in 2004, the real manufacturing wage was still 0.5% below that of 1990; in Paraguay, Uruguay and Venezuela, the 2004 level was equivalent to 93%, 78.5% and 61% of the level 15 years ago, respectively.

FIGURE 11

LATIN AMERICA: SELECTED COUNTRIES
WAGE AND SALARIED WORKERS WITH SOCIAL PROTECTION, 2004
(Percentages)



Source: ILO, based on household surveys of the countries (Table 7-A of the Statistical Annex).

a/ Health and pension coverage.
b/ Affiliation to a pension system.

Of 17 countries with available information for 2004, the minimum wage in real terms increased in nine countries and fell or remained unchanged in eight. The weighted average of the real minimum wage for all selected countries grew 8.3%. This increase was the result of reduced inflation and increased nominal wages mandated by governments, especially in Argentina. If this country were excluded, the real minimum wage of the region would have increased only 2.4% in 2004, a level still inferior to the average labour productivity of the region (Table 9-A of the Statistical Annex).

Real minimum wages increased in Argentina (54.5%), Brazil (3.4%), Chile (2.8%), Colombia (1.8%), Ecuador (2.3%), Honduras (0.7%), Panama (1.5%), Peru (4.5%) and Venezuela (14%), and decreased in Bolivia (-4.2%), Costa Rica (-1.7%), the Dominican Republic (-19.1%), El Salvador (-1.4%), Guatemala (-0.9%), Mexico (-0.4%) and Paraguay (-3.4%), and remained unchanged in Uruguay (Table 9-A of the Statistical Annex).

Despite the improvement in the purchasing power of the minimum wage in most of the countries in the period 1990-2004, at the close of 2004, it continued to be below that of 1980 in most of the countries with available information (Figure 12). In Argentina, despite the sharp increase recorded in 2004, the rate was just 2.6% higher than the minimum wage of 1980. In the case of Brazil, the 2004 rate was 91.4% of that of 24 years ago; in Honduras, it was 98.4%; and was between 40% and 50% in Bolivia, Ecuador and Venezuela; between 30% and 35% in Peru and Uruguay; and between 25% and 30% in Mexico and El Salvador.

LABOUR MARKET TRENDS IN THE FIRST SEMESTER OF 2005

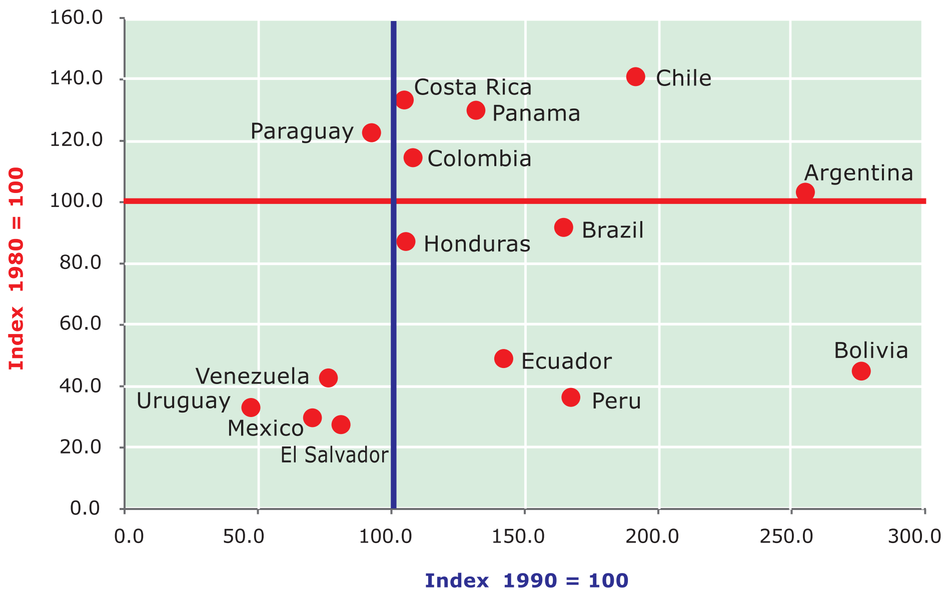
Statistics from the first semester of this year for a group of nine countries of the region, which represent 89% of the urban labour force and 95% of regional GDP, point to the continuation of the downward trend in the unemployment rate observed in the region last year. The weighted average urban unemployment rate estimated to June 2005 is 9.6%, or 1.3 percentage points less than that recorded for the same period last year (10.9%) (Figure 13). This result is due to an increase in the employment-to-population ratio, which rose from 52.2% to 52.8%, whereas the labour force participation rate decreased from 58.7% to 58.4%.

Changes in the labour market varied among the countries. The unemployment rate for the first semester decreased in seven of the nine countries with available information -Argentina, Brazil, Chile, Colombia, Ecuador, Uruguay and Venezuela- whereas

FIGURE 12

LATIN AMERICA: SELECTED COUNTRIES REAL MINIMUM WAGES, 2004

(Index 1990=100 and Index 1980=100)

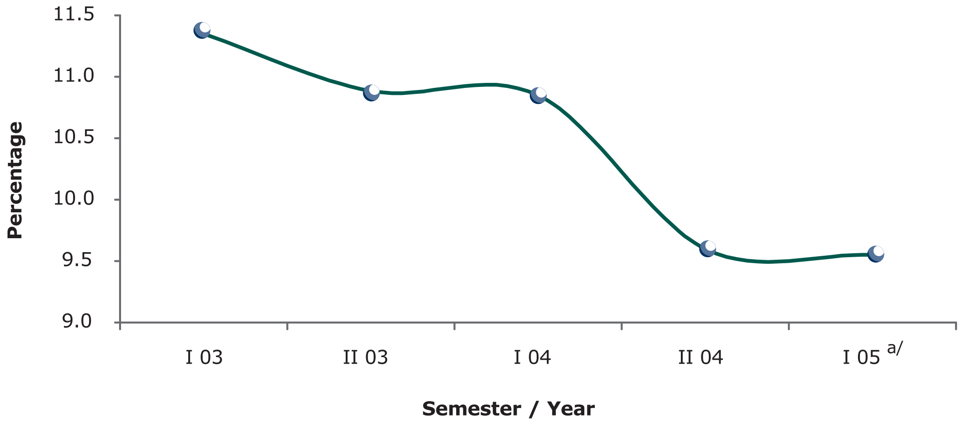


Source: ILO, based on official country information

FIGURE 13

LATIN AMERICA AND THE CARIBBEAN: SELECTED COUNTRIES OPEN URBAN UNEMPLOYMENT RATE, FIRST SEMESTER 2003-FIRST SEMESTER 2005

(Percentage)



Source: ILO, based on official country information

Note: The selected countries are Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Peru, Uruguay and Venezuela.
a/ Estimated.

it rose slightly in Mexico and Peru (Table 4 and Table 1-B of the Statistical Annex).

During the first semester of 2005, Argentina's economic growth generated an increase in the employment-to-population ratio whereas the labour supply declined, resulting in a reduction in the unemployment rate of 2.1 percentage points with respect to the same period in 2004. The unemployment rate for the first semester of 2005, estimated at 12.5%, would increase to 14.4% if the beneficiaries of the Unemployed Head of Household Programme (Plan de Jefes y Jefas de Hogar Desocupados) who were actively seeking employment were included as unemployed. If all beneficiaries of this programme were counted as unemployed, the unemployment rate would be 16.2%. The manufacturing sector continued to be one of the most dynamic in terms of job creation. In the first semester of 2005, employment of labourers in this sector increased 7.3% as compared with the same period in 2004.

The situation was similar in Brazil. The rise in employment reflected GDP growth while the labour supply registered a decline, resulting in a sharp decrease in the unemployment rate in key metropolitan regions, from 12.2% in the first quarter of 2004 to 10.5% in the same period of this year. Taking into account the results obtained in the following three months, the average unemployment rate for the first semester was 10.3%, or 2 percentage points less than that registered during the same period in 2004, which is the lowest semester rate since the methodology of the household surveys was changed in 2002. The largest increase in employment took place in the manufacturing sector, which expanded 4.2% as compared with the first semester of 2004, followed by the financial service (4.8%), construction (2.1%) and trade (1.9%) industries. Domestic service employment also grew significantly (10%).

In Chile, in the first six months of 2005, the increase in employment coincided with the favourable macroeconomic context, reversing the trend observed during the same period in 2004. Both labour supply and demand rose, but the increase in demand was greater (1.1 versus 0.8 percentage points), yielding a lower unemployment rate, from 8.3% in the first semester of 2005, as compared with 8.9% in the same period of 2004. In the year-over-year comparison of the first semester, four sectors generated the most employment: construction, with an annual growth of 9.2%, trade (6.6%), transportation and communications (2.7%) and financial services (7%), whereas employment continued to decline in the manufacturing (-1.2%) and electricity, gas and waterworks (-5.5%) industries.

The unemployment rate in Colombia (13 metropolitan areas) fell from 16.5% during the first semester of 2004 to 15% in the same period of 2005. The favourable performance in this indicator was the result of an increase in the employment-to-population ratio, which reached 52.9% (0.5 percentage points higher than the percentage recorded during the same period in 2004),

TABLE 4

LATIN AMERICA: SELECTED COUNTRIES
LABOUR MARKET INDICATORS
FIRST SEMESTER 2004 AND 2005
(Percentages)

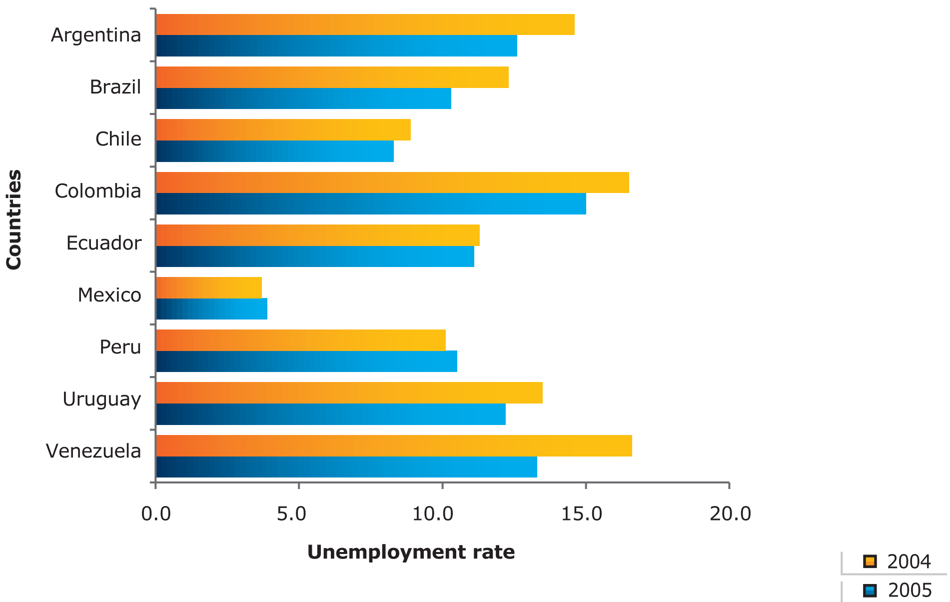
	Labour force participation rate		Employment-to-population ratio		Unemployment rate	
	2004	2005	2004	2005	2004	2005
TOTAL COUNTRIES [a/]	58.7	58.4 [b/]	52.2	52.8 [b/]	10.9	9.6 [b/]
Argentina	60.1	59.5	51.4	52.0	14.6	12.5
Brazil	57.0	56.6	50.0	50.7	12.3	10.3
Chile	52.9	53.7	48.2	49.3	8.9	8.3
Colombia	62.8	62.2	52.4	52.9	16.5	15.0
Ecuador	55.5	55.7	49.3	49.5	11.3	11.1
Mexico	56.3	...	54.2	...	3.7	3.9
Peru	68.4	67.7	61.5	60.6	10.1	10.5
Uruguay	58.6	58.3	50.7	51.2	13.5	12.2
Venezuela	68.8	66.0	57.3	57.2	16.6	13.2

Source: ILO, based on official country information.

a/ Weighted average.
b/ Estimate.

FIGURE 14

LATIN AMERICA: SELECTED COUNTRIES
TOTAL UNEMPLOYMENT RATE BY COUNTRY
FIRST SEMESTER 2004 AND 2005
(Percentages)



Source: ILO, based on official country information (Table 1-A of the Statistical Annex).

and of the reduced pressure of the labour supply (the labour force participation rate declined from 62.8% in 2004 to 62.2% in 2005). In year-over-year comparisons, the industries generating the most employment were real estate, followed by construction and manufacturing, whereas financial services experienced a decrease due to bank mergers.

In Ecuador (Quito, Guayaquil and Cuenca), the increase in the unemployment rate in the first quarter of 2005 was followed by a smaller decrease in the second quarter with respect to the same period in 2004, producing an average unemployment rate for the first semester of 2005 of 11.1%. This rate was below the 11.3% recorded for the same period in 2004, and reflected an increase in labour demand which was slightly higher than that of supply. Nevertheless, the limited generation of quality employment is of concern. According to data from the Central Bank, the decrease in the unemployment rate during the first semester took place in a context in which average employment in Quito, Guayaquil and Cuenca fell 13.1% in establishments with more than five workers, as compared with the same period in 2004. In contrast, in establishments with a maximum of five workers, employment increased 9.7%.

Continuing the trend that began last year, job creation in Mexico did not cause a decline in the urban unemployment rate because it was insufficient to offset the increase in the labour supply. The unemployment rate in the country's 32 main cities in the first semester of 2005 was 3.9%, higher than that recorded during the same period in 2004 (3.7%). Nationwide, the recent implementation of the new National Occupational and Employment Survey (ENOE) prevented comparisons of the indicator with previous periods. Based on an analysis of the limited data available, the national unemployment level declined in the second quarter to 3.5%, compared with 3.9% in the first quarter, while the labour force participation rate remained unchanged at 57.4%. The employment-to-population ratio increased from 55.2% in the first quarter to 55.4% in the second quarter.

Employment gains in the number of permanent and temporary urban workers in recent years registered in the statistics of the Mexican Social Security Institute (IMSS) have been insufficient to offset persistent high urban unemployment. The number of insured workers increased 2.5% to June 2005 as compared with the figure for June 2004. The increase in formal sector employment was less among permanent workers than for temporary urban workers (1.5% and 8.5%, respectively). The January-May balance revealed different patterns for the two manufacturing sectors. On the one hand, manufacturing firms reported a decline of -1.4% in employment; on the other, *maquiladoras* increased their personnel by 6.4%, both with respect to the same period (January-May) of 2004.

In Peru (Metropolitan Lima), the unemployment rate rose in both the first and second quarters, leading to an unemployment rate for the first semester of 2005 of 10.5%, or 0.4 percentage points higher than that registered during the same period of 2004. This reflected the larger reduction in labour demand than in labour supply. Employment growth was concentrated in the construction (19.4%) sector, as the result of growth in government investments, followed by manufacturing (3.5%) and trade (0.2%), whereas in the service sector, which employs nearly 54% of workers, the rate fell 2.1%. Moreover, establishment surveys of private enterprises with 10 or more workers indicated that labour demand in the rest of the urban area (17 cities of the country) increased 5.9% in the first semester of 2005 as compared with the same period in 2004, particularly in the cities of Ica (22.2%) and Piura (11%), as a result of a sharp rise in agroindustry exports (asparagus, grapes and cotton). Quality employment rose significantly in the city of Iquitos (12.8%) sustained by growth in the transportation and communication industries and the increase in the oil industry.

In Uruguay, in the first semester of 2005, the urban employment-to-population ratio increased from 50.7% in 2004 to 51.2% as a result of GDP growth. This result, together with a reduced pressure of the labour supply (the labour force participation rate was 58.3%, or 0.3 percentage points below that of 2004), resulted in a declining unemployment rate, from 13.5% to 12.2% in the same period of 2005. In the first quarter, the sectors demanding the most employment, with respect to the same period the year before, were trade, restaurants and hotels, financial services and manufacturing. In contrast, employment declined in the construction and domestic service sectors in year-over-year comparisons.

The unemployment rate declined in Venezuela, from 16.6% to 13.2% in the first six months of 2004 and 2005, respectively, reflecting a significant reduction in the labour supply. The labour force participation rate fell from 68.8% to 66%, which was the result of a decline in the labour force participation rate of women, which fell from 54.9% to 51.3%, whereas that of men declined from 82.7% to 80.7%. The employment-to-population ratio inched down from 57.3% to 57.2%. Average employment in the first semester of 2005, compared with the same period the year before, increased 12% in the public sector. Employees and labourers in the private sector increased 2.3%, whereas self-employed workers declined by -0.3%.

Unemployment by Sex and Age

The movements in the unemployment rate by sex among countries of the region followed the same pattern as the total unemployment rate (Figure 15 and Table 2-A of the Statistical Annex). For the eight countries with information on unemployment by sex, the female unemployment rate for the first semester of 2005 was 1.4 times higher than the male unemployment rate, with the greatest disparity in Brazil (1.6 times) and the smallest gap in Venezuela (1.2 times).

In countries with a decrease in total unemployment, the reduction was greater among women in Argentina, Brazil, Colombia and Venezuela, whereas the decrease was greater among men in Chile and Uruguay. In contrast, in countries that had an increase in the total unemployment rate, unemployment among women tended to worsen. For example, in Mexico, male unemployment decreased whereas female unemployment increased. In Peru (Metropolitan Lima), although unemployment increased among both men and women, the increase was greater among women (Figure 15 and Table 2-B of the Statistical Annex).

With respect to youth, and taking into account the key share of this age group among those seeking employment for the first time, the unemployment rate continued to be almost double the rate of total unemployment, despite an overall decrease in regional unemployment. Moreover, the countries experiencing a downward trend in total unemployment, such as Argentina, Brazil, Chile and Venezuela, also had a decline in the youth unemployment rate, except in the case of Colombia, which experienced an increase in the indicator among youths aged 12 to 17 years and a decrease among those aged 18 to 24. Only in Peru did the total unemployment rate and youth unemployment rate both increase (Figure 16 and Table 3-B of the Statistical Annex).

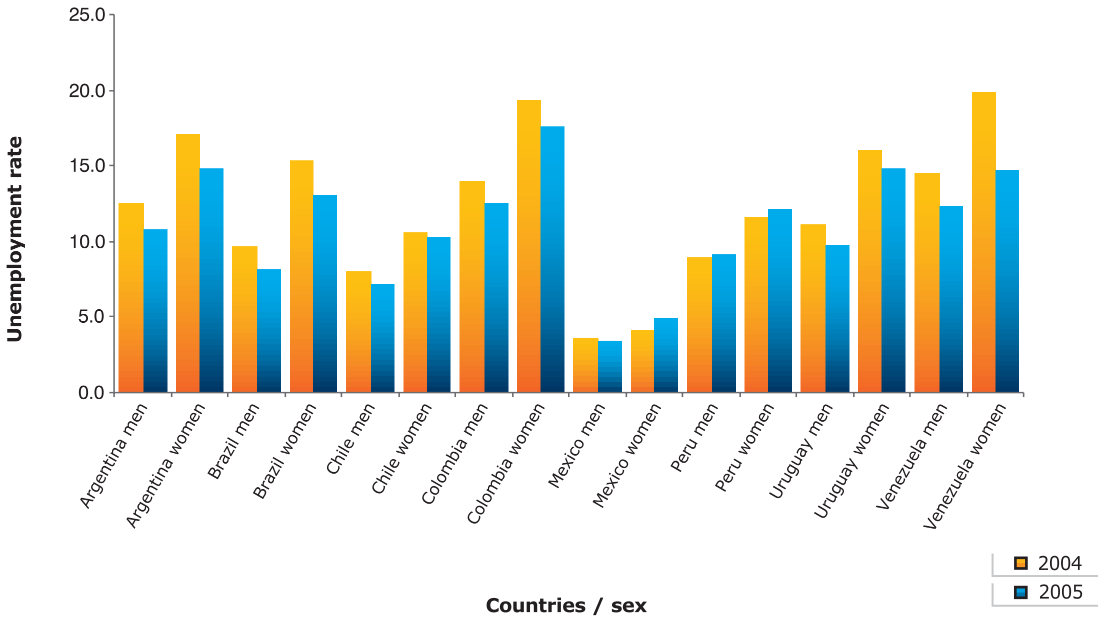
Trends in Real Wages during the First Semester of 2005

The weighted average manufacturing wage for the eight countries with available information grew 1.1% in real

FIGURE 15

LATIN AMERICA: SELECTED COUNTRIES UNEMPLOYMENT RATE BY SEX AND COUNTRY FIRST SEMESTER 2004 AND 2005

(Percentage)

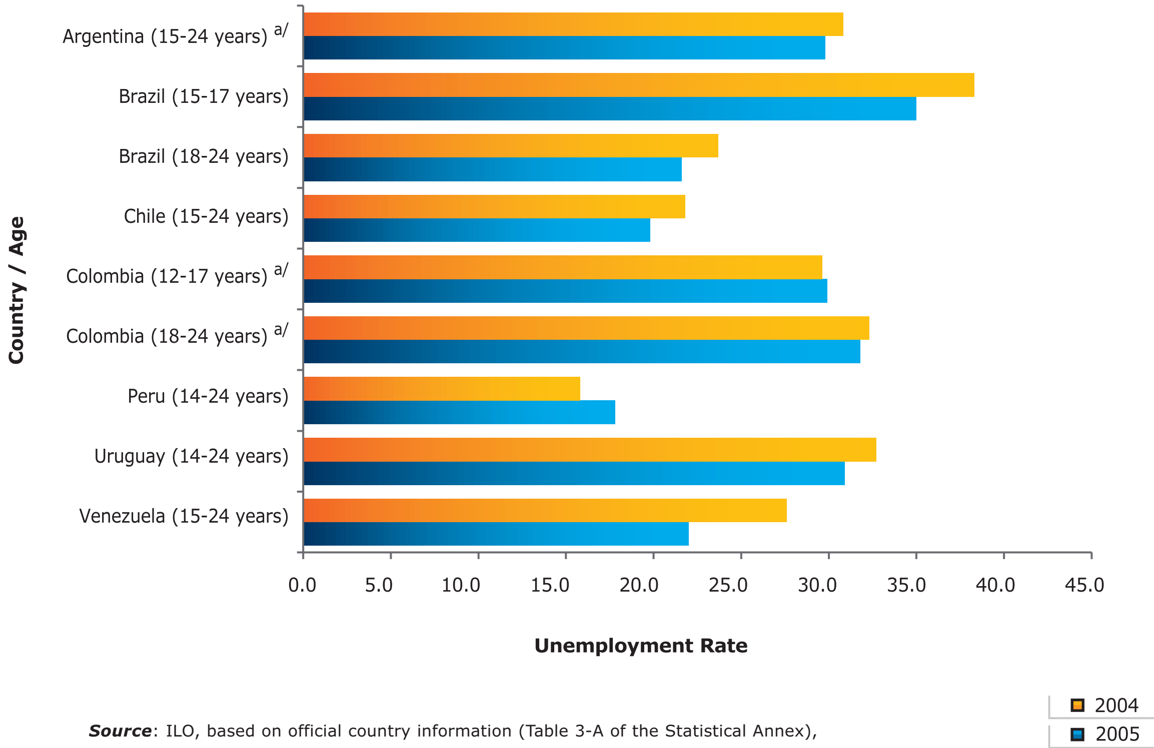


Source: ILO, based on official country information (Table 2-A of the Statistical Annex).

FIGURE 16

LATIN AMERICA AND THE CARIBBEAN: SELECTED COUNTRIES YOUTH UNEMPLOYMENT RATE, BY COUNTRY, FIRST SEMESTER 2004 AND 2005

(Percentage)



Source: ILO, based on official country information (Table 3-A of the Statistical Annex),

a/ First quarter.

terms during the first semester of 2005 compared with the same period in 2004. This increase was less than that in the average labour productivity for all sectors estimated for the period (1.5%). This indicates that real manufacturing wage growth was not on par with labour productivity growth for the sector, given that the latter is estimated to be three times higher than the average labour productivity for all sectors.

The countries with the greatest increase in real manufacturing wages include Argentina (3.9%) and Uruguay (8.6%), whereas wages grew between 1% and 1.8% in Brazil, Chile and Colombia, decreased in Ecuador and Venezuela and remained unchanged in México (Table 8-A of the Statistical Annex).

The weighted average real minimum wage for the 16 countries with information during the first six months of 2005 grew 5% with respect to the same period of 2004. The change in real minimum wages differed by country: it improved in 10, decreased in four and remained stable in two.

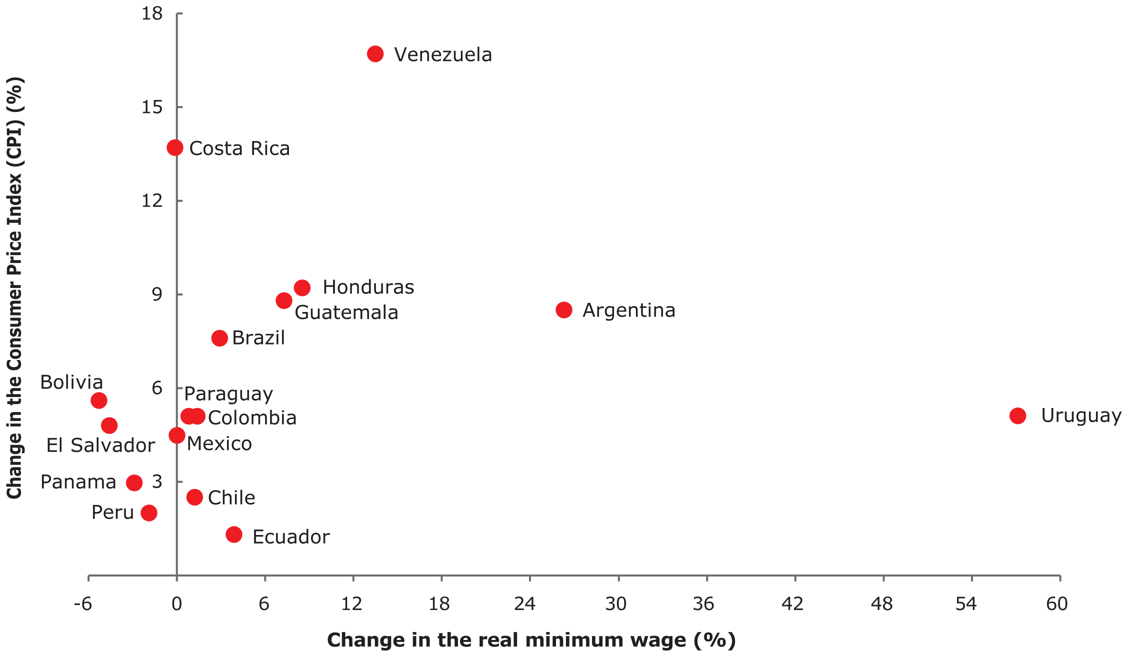
The continuation of the policy to adjust the minimum wage was particularly apparent in Uruguay, with an increase of 57.1% in real terms due to the nominal increase mandated by the government in January of this year. If this country were excluded, the weighted average real minimum wage of the selected countries would increase 4.7%. In addition, there was a significant increase in the purchasing power of the minimum wage in Argentina (26.3%) and Venezuela (13.5%). In the other countries with wage increases, the rate ranged from a maximum of 8.5% in Honduras to a minimum of 0.8% in Paraguay.

The real minimum wage decreased in Bolivia, El Salvador, Panama and Peru, and remained unchanged in Costa Rica and Mexico (Figure 17 and Table 9-A of the Statistical Annex).

FIGURE 17

LATIN AMERICA: SELECTED COUNTRIES
INFLATION AND THE REAL MINIMUM WAGE, FIRST SEMESTER 2005

(Annual percentage change)



Source: ILO, based on official country information.

The increase in the real minimum wage in the countries analyzed occurred in the context of a variation in the Consumer Price Index which differed by country. Whereas Colombia, Ecuador, Peru, Uruguay and Venezuela reported reductions in inflation, the rest of the countries experienced moderate increases. Thus, during the first semester of 2005, annualized inflation of the selected countries was 6.7%, compared with 5.6% in the same period last year (Table 10-A of the Statistical Annex).

FEATURE ARTICLES

The second part of this edition of *Labour Overview Advance Report for 2005* includes two feature articles that complement the analysis of the labour market situation in Latin America and the Caribbean in 2004 and the first semester of 2005 appearing in the previous section. These articles summarize the results of different ILO studies and research projects on topics related to the world of work in the region. They also present concrete policy proposals and/or recommendations.

The first article, entitled *International Migration, Remittances and the Labour Market: the Situation in Latin America and the Caribbean*, reports on a recent ILO study examining the economic and social scenario of migration flows of the region, the factors causing this phenomenon and their consequences, as well as the remittances that immigrants send to their countries of origin. It maintains that conditions for emigration reflect "push" factors, such as weak, volatile economic growth and the worsening of the labour market situation and its impact on poverty over the past 15 years in Latin America and the Caribbean, as well as "pull" factors, such as growing disparities in income and quality of life between countries of the region and more developed countries.

The study concludes that in open, globalized economies, migration constitutes a labour market adjustment mechanism in response to external shocks (in addition to mechanisms of unemployment, underemployment and informal sector employment), which is associated with labour supply and demand imbalances in the countries of origin and destination. It suggests that migration has both positive and negative aspects. On the one hand, the remittances sent by migrant workers from the region –which reached a record US$ 45.8 billion in 2004, according to the Inter-American Development Bank– are considered the most direct benefit for the countries of origin. On the other hand, the article points out the negative impact migration may have on immigrants in destination countries due to problems of entry into the labour market, difficulties in adapting to a different culture, labour discrimination and the lack of respect for their rights in some cases, as well as the high cost of sending remittances. In the countries of origin, the effects are also complex since the migration of workers has social and economic costs while remittances encourage private investment and have a positive effect on poverty. It is hoped that the new domestic security policies in several developed countries will not interfere with historic processes of emigration from the region to those countries since labour migration brings key economic and social benefits to both countries of destination and those of origin.

A box entitled *Proposal for a Plan of Action for Migrant Workers of Latin America and the Caribbean* complements the first feature article. The proposal recommends five priority lines of action for organizations of workers and employers, as well as governments of the region, to develop from now until 2010. This proposal is part of the effort of the ILO Regional Office for Latin America and the Caribbean to incorporate priority issues associated with migrant workers from the region in a hemispheric agenda on decent work.

Generating Decent Work in Open Economies: the Strategy of Growth with Quality Employment, the second feature article, proposes a conceptual framework for countries of the region that includes integrated economic and social policy recommendations compatible with the promotion of decent work as the key element of an agenda of growth and wellbeing. It analyzes economic and labour performance in Latin America and the Caribbean since the application of macroeconomic stabilization policies in the early 1990s, which created considerable expectations for overcoming the major imbalances experienced in the countries of the region during the 1980s and for stimulating business productivity and competitiveness, with positive effects on employment and well-being. The study found varying degrees of positive and negative results in the countries of the region in this period. On the one hand, over the past 15 years, progress has been made in terms of greater control of macroeconomic imbalances, especially in terms of healthier public accounts and relatively low rates of inflation. On the other hand, GDP growth has been lacklustre and unstable, accompanied by highly volatile flows of foreign capital. This has generated an increase in unemployment and precarious employment and has negatively affected income distribution, contributing to persistent high poverty rates in the region. Although macroeconomic indicators improved in 2004 and this trend is expected to continue in 2005, recovery is still insufficient to reverse the increase in the decent work deficit in recent years.

The policy proposals included in this feature article summarize ILO studies for the Employment Conference in the Southern Common Market (MERCOSUR, April 2004), the Employment Conference in the Andean Community (November 2004) and the Forum for Employment in Central America (June 2005). The conceptual framework proposes policy approaches and measures at the macroeconomic, mesoeconomic and microeconomic levels, as well as targeting the labour market and the reduction of inequalities. These policy levels are divided into two main areas: acceleration and sustainability of growth compatible with external balances and growth which is decent work-friendly. The first area focuses on increasing competitiveness and profitability of traded goods and services as well as on promoting exports and domestic production competitive with imports. The objective of the second area is to achieve greater integration of export growth with the domestic consumption market to generate more and better employment, which is closely associated with the reduction of poverty and inequality.

International Migration, Remittances and the Labour Market: The Situation in Latin America and the Caribbean

Latin America and the Caribbean have become "net exporters" of workers to developed countries due to their significant emigration flows. The financial counterpart of migration is a growing amount of remittances, which are a key additional source of income for receiving families and of foreign currency for countries.

Growing migration and remittances have been associated with "push" and "pull" factors. Push factors are associated with the insufficient economic growth in most of the countries of the region over the past 15 to 20 years, resulting in a shortage of stable employment. These factors are also associated with the slow increase in real wages and income, which limits workers' possibilities for economic progress, inducing them to emigrate in search of better economic conditions for themselves and their families. Pull factors include the higher living standards of countries such as the United States, Spain and other developed countries, for which reason a large number of individuals from Latin America and the Caribbean emigrate to those countries. Nonetheless, differences in per capita income and opportunities also occur at the intra-regional level and part of the migration flows to other countries of the region, generally border countries that offer better employment and wage conditions.

International migration represents both a challenge and an opportunity. On the one hand, it underscores the incapacity of countries to offer employment, income and labour conditions that are sufficiently attractive to encourage workers to develop their skills and create wealth in their countries of origin. On the other hand, with the growing globalization of markets, labour opportunities expand toward other economies and regions and create employment opportunities for individuals of other nationalities. Destination countries that have a higher average productivity generally will offer better wages, a higher material standard of living and likely better social services than the countries of origin, thus improving the economic wellbeing of immigrants. Nevertheless, while the "average" Latin American or Caribbean immigrant (influenced by the larger percentage of less skilled workers) improves their economic situation as compared with their situation in the country of origin, immingrants are generally at the lower end of the income distribution in the destination country. As such, he may experience a higher incidence of unemployment and poverty than native-born workers. Furthermore, poor, less skilled immigrants face precarious conditions in terms of their labour rights and immigration status, which temper the increase in income associated with migration. This situation may differ for skilled immigrants classified as professionals, technicians or investors and business people, who generally enjoy a better migration status and labour conditions.

This study analyzes the economic and social context in which migration from Latin America and the Caribbean occurs, its causes and consequences, as well as the international remittances immigrants send to their countries of origin. The study focuses on voluntary or economic migration rather than on forced migration, such as in the case of refugees and internationally displaced individuals. The main economic and non-economic determinants of international migration are described, beginning with the trend in economic growth, poverty and the labour market in the past 15 years in the region, as well as the income disparities between countries within and outside the region. The article presents a profile of Latin American emigrants and discusses amounts (both in absolute and relative terms) and recent trends in international remittances to the region, the effects of migration on real wages in the destination countries, the use of remittances in consumption, savings and purchases of assets in receiving countries as well as their impact on investment, economic growth and poverty. The article concludes with proposed priority issues to be incorporated in an agenda on migration, employment and development. This study expands on and updates the analysis and challenges presented in the feature article on international migration appearing in the *2002 Labour Overview*.

The Context of Migration in Latin America and the Caribbean: Slow Growth, Persistent Poverty and Labour Market Adjustments

The economic and labour performance in the region during the past 15 years has fallen short of the optimistic expectations generated by the current phase of globalization and the adoption of structural reforms in the early 1990s. Between 1990 and 2004, the annual average GDP growth rate was 2.5% and the GDP per capita rose 0.8% on average annually. At this rate of GDP per capita growth, it would take more than eight decades to double per capita income. Since developed countries have a per capita income well above the average for Latin America and the Caribbean, there are considerable economic incentives to migrate from the region to developed countries. Due to the slow economic growth and unequal income distribution in the countries, poverty has increased in the past decade in the region in absolute terms, affecting 221 million people in 2002, continuing the trend observed during the 1980s. The high level and persistence of poverty are indicative of the incentives to seek better income and labour opportunities abroad. However, the poorest citizens –indigents- generally do not migrate because they are unable to cover the costs associated with migration.

The increase in poverty reflects the situation existing in the labour market, where long-standing chronic unemployment, underemployment and informal sector employment in the region have not improved, and have even worsened over the past 15 years, generating pressure to migrate, although trends differ by country. In general, a greater incidence of international migration is expected in countries experiencing a crisis and/or economic stagnation and labour market difficulties. Varying degrees of this phenomenon were observed in several countries, including Argentina, Mexico and Ecuador, where a sharp decease in real wages accompanied a strong increase in unemployment during periods of crisis. Brazil, El Salvador, the Dominican Republic, Uruguay and Venezuela also experienced a decline in real wages between 2000 and 2004.

Emigration from Latin America and the Caribbean

Close to 21 million people born in Latin America and the Caribbean were residents of countries belonging to the Organization for Economic Cooperation and Development (OECD) in 2000-2001, representing nearly 4% of the total population of the region. Of this number, approximately 18 million resided in the United States, 840,000 in Spain, 622,000 in Canada and 328,000 in the United Kingdom, the four countries with the largest inflow of emigrants from Latin America and the Caribbean (Figure A.I). The United States is the main destination for Latin American immigrants (87%), followed by Spain (4.1%). Migration also occurs among countries of Latin America. Examples include migration from Bolivia to Argentina, Peru to Chile, Nicaragua to Costa Rica, Haiti to the Dominican Republic and others.

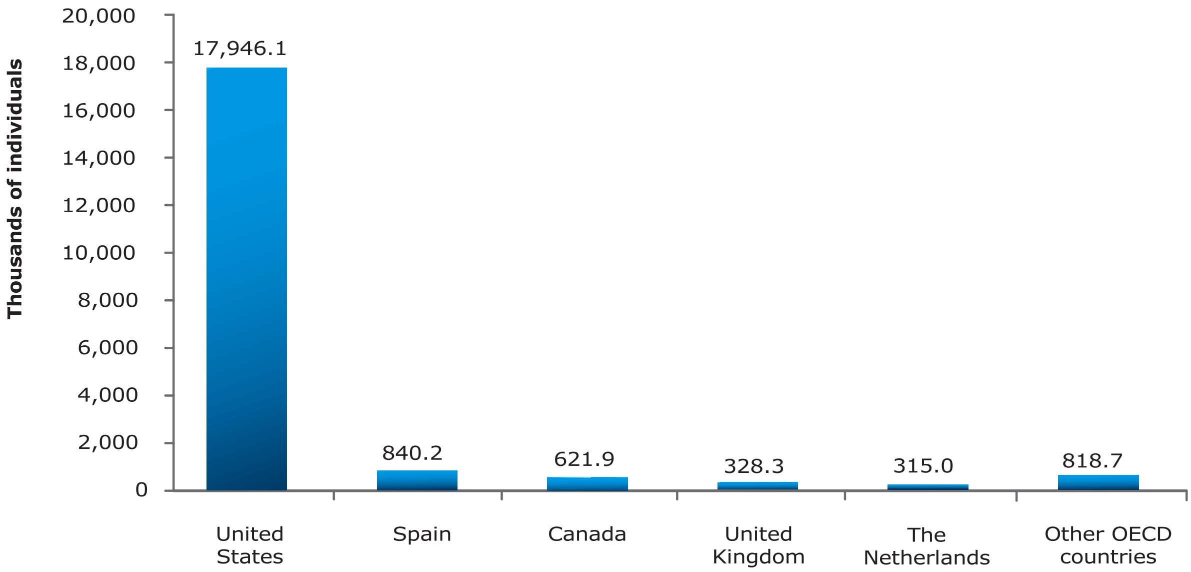
Mexico is the primary source of emigrants from the region to the United States and represents the greatest proportion of foreigners residing in the United States, a trend that is growing. Mexicans accounted for 16.7% of the total foreign population of the United States in 1980; in 1990, the percentage had risen to 22.7% and to 27.6% in 2000. After Mexico, the countries of the region with the largest immigrant populations in the United States are Cuba, El Salvador, the Dominican Republic, Jamaica and Colombia, in that order (Figure A.II).

Since the second half of the 1990s, Spain has received a growing number of Latin American immigrants, particularly from Ecuador, Colombia, Peru and Argentina, in that order. Those countries have experienced economic crises or a worsening of

FIGURE A.I

INDIVIDUALS BORN IN LATIN AMERICA AND THE CARIBBEAN RESIDING IN SELECTED COUNTRIES OF THE OECD, 2000 a/

(*thousands of individuals*)



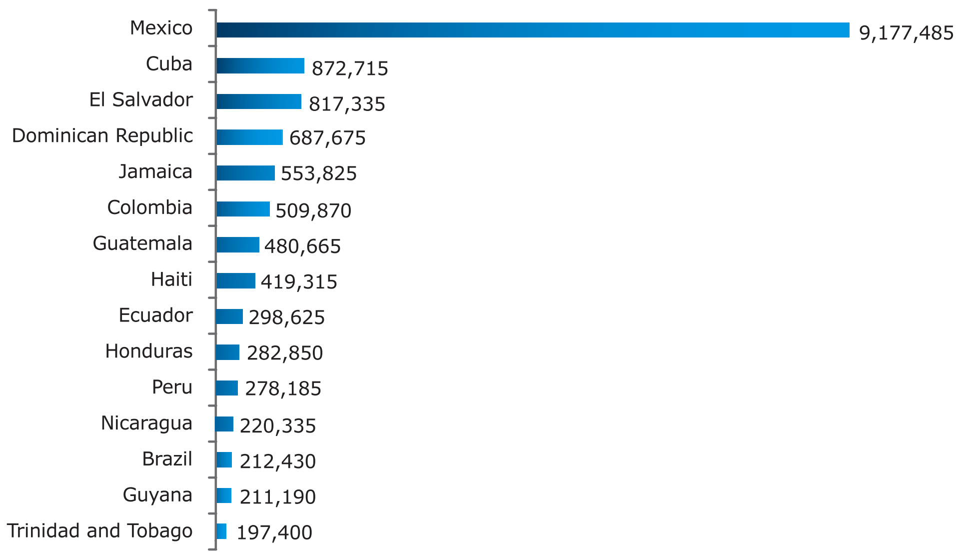
Source: Organization for Economic Cooperation and Development (OECD), 2004.

a/ Last year with available information for the selected countries, circa 2000.

FIGURE A.II

IMMIGRANTS IN THE UNITED STATES ORIGINATING FROM THE 15 LATIN AMERICAN AND CARIBBEAN COUNTRIES WITH THE LARGEST MIGRATION, 2000

(*number of immigrants*)



Source: U.S. Census Bureau, Census 2000 Special Tabulations (STP-159).

violence in recent years. In 2003, there were an estimated 515,000 *documented* Latin Americans living in Spain, representing 31% of the total immigrants with residency permits. After Morocco, the second and third countries with the largest foreign populations residing in Spain were Ecuador and Colombia, respectively. Seeking to take advantage of the regularisation process offered to foreign workers by the Spanish government, from February to May 2005, 690,679 applications from workers of different nationalities were submitted for consideration. According to the Ministry of Labour and Social Affairs, at the end of July 352,522 foreigners legalized their immigration status, of which the largest share corresponded to Ecuador with 25%; other Latin American countries with large shares were Colombia (10%), Bolivia (6%) and Argentina (3.7%).

Determinants of Emigration from Latin America and the Caribbean

Among the key determinants of emigration are the disparities in the real per capita income; economic cycles, crises and volatility of economic growth; as well as other factors, such as internal conflicts and political regimes, family support networks, immigration policies, immigration costs, cultural differences among countries and geographic proximity. These determinants are discussed below in the context of emigration within and outside of the Latin America and Caribbean region in recent years.

Disparities in Per Capita Income or Real Wages Among Countries

Economic factors play a key role in migration. This is because of the difference in real per capita income or salary differences between countries of origin and destination. Table A.I shows the change in the GDP per capita (in Purchasing Power Parity (PPP), 2000 dollars) for a group of Latin American countries (which are referred to as countries of origin in the analysis) and of selected countries of the OECD (destination countries) between 1980 and 2003. It should be noted that the average GDP per capita of the region, measured at PPP, had an accumulated growth of just 7.5%. In contrast, the GDP per capita at PPP in the United States increased by 56.4% in the same period. In 2003, the GDP per capita in the United States was US$ 35,484, or 5.5 times the average GDP per capita in Latin America and the Caribbean, US$ 6,397 (Table A.II). The level and persistence of per capita income disparities between countries of the region and developed countries creates powerful economic incentives to migrate to developed countries.

Economic growth has varied by country over the past 24 years in the region. In this period, some countries, such as Argentina, Bolivia, Ecuador, El Salvador and Uruguay, experienced a relative economic stagnation given that their per capita income in terms of PPP in 2003 was almost the same as that of 1980; in Guatemala, Haiti, Honduras, Nicaragua, Peru and Venezuela, per capita income at PPP *diminished* between 1980 and 2003. In contrast, the GDP per capita at PPP *increased* in Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Mexico and Panama. This dissimilar performance has affected the level of relative development of the countries of the region in different ways, and consequently, the incentives for intra-regional migration. Moreover, income disparities have grown between Latin American countries with negative or slow GDP growth and the high-income countries of the OECD. In general, there is a direct correlation between the stagnation or decrease of the GDP per capita and emigration.

Economic Cycles, Crises and Volatility of Growth

Economic crises and volatile GDP growth cycles generally widen disparities in per capita income among countries. There were several cases of economic crises in the region during the 1990s and the early years of this century. For example, Mexico experienced a severe economic crisis in late 1994 and 1995. The GDP decreased by 6.1% in real terms in 1995, which negatively affected the labour market and led to increased migration, mainly to the United States. The unemployment rate in Mexico increased by nearly 70% in 1995 and did not recover to pre-crisis levels until 1997. Real wages experienced sharp decreases; in the case of manufacturing wages, purchasing power did not recover to 1994 levels until 2003. Ecuador, which faced a severe economic crisis in 1998-1999, experienced declines in GDP, increases in unemployment and decreases in real wages, which in turn stimulated migration, totalling an estimated 500,000 people over the past five years. In Argentina, where GDP decreased by 19.4% between 1999 and 2002 –although it recovered by almost 17% between 2003 and 2004– real wages fell 12.5% and total unemployment increased to nearly 20% in 2002, to later decline. In this context, migration from these countries to countries outside the region rose sharply.

In general, the volatility of GDP growth yields an increased instability of employment, wages and economic opportunities for individuals, which, together with lower average income in the countries of origin than in those of destination, create a further incentive for migration. In 13 countries of the region, the frequency of "growth crises" (defined as at least one year with negative GDP growth) increased in the period 1980-2002 as compared with the period 1960-1980. The number of years of growth crises increased in the past two decades, from 3.7 in 1960-1980 to 8.3 in 1980-2002.

TABLE A.I

GDP PER CAPITA IN LATIN AMERICA AND THE CARIBBEAN AND SELECTED COUNTRIES OF THE OECD, 1980-2003

(in Purchasing Power Parity, PPP, measured in 2000 international dollars)[a/]

Countries	1980	1990	1995	2000	2001	2002	2003
Argentina	11,462	8,880	11,240	12,253	11,640	10,664	11,436
Bolivia	2,474	2,117	2,267	2,395	2,383	2,402	2,444
Brazil	3,550	5,140	6,280	7,150	7,310	7,480	7,510
Chile	4,621	5,817	7,993	9,197	9,378	9,432	9,706
Colombia	4,882	5,916	6,341	6,110	6,113	6,139	6,331
Costa Rica	6,792	6,454	7,295	8,892	8,558	8,505	9,075
Dominican Republic	3,872	4,074	4,691	6,153	6,237	6,414	6,445
Ecuador	3,373	3,500	3,326	3,351	3,376	3,402	3,440
El Salvador	4,237	3,633	4,389	4,702	4,706	4,747	4,517
Guatemala	4,019	3,469	3,719	3,952	3,915	3,930	3,919
Haiti	3,126	2,477	1,716	1,750	1,700	1,657	1,646
Honduras	2,663	2,513	2,585	2,500	2,509	2,505	2,518
Mexico	7,758	7,532	7,525	8,920	8,756	8,662	8,661
Nicaragua	4,609	2,955	3,088	3,211	3,241	3,089	3,082
Panama	5,186	4,525	5,370	6,254	6,185	6,053	6,475
Peru	5,315	3,874	4,590	4,731	4,641	4,820	4,969
Uruguay	7,681	7,179	8,228	8,832	8,541	7,474	7,822
Venezuela	6,753	5,795	6,122	5,632	5,725	5,182	4,647
Latin America and the Caribbean [b/]	5,952	5,578	6,041	6,524	6,473	6,381	6,397
Canada	19,950	23,387	24,081	27,880	28,159	28,728	28,981
OECD (high income)[c/]	16,807	21,201	22,495	25,213	25,339	25,671	26,121
Spain	12,401	15,915	16,934	19,969	20,490	20,777	21,152
United Kingdom	16,007	20,346	21,601	24,675	24,968	25,139	25,645
United States	22,689	28,495	30,293	34,114	33,997	34,557	35,484

Source: World Bank, *World Development Indicators* database.

a/ Corresponds to GDP per capita converted to international dollars, using Purchasing Power Parity rates where an international dollar has a purchasing power over the GDP equal to a dollar in the United States. Data are expressed in constant international dollars at 2000 levels.

b/ This average includes 32 countries of Latin America and the Caribbean.

c/ Corresponds to the group of high-income countries of the OECD. High-income countries are those in which the GDP per capita was US$ 9,386 or more in 2003: Australia, Austria, Belgium, Canada, Germany, Denmark, Finland, France, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, South Korea, Spain, Sweden, Switzerland, the United Kingdom and the United States.

TABLE A.II

PER CAPITA INCOME DISPARITIES BETWEEN SELECTED COUNTRIES OF THE OECD AND LATIN AMERICA AND THE CARIBBEAN, 1980-2003 a/

Countries	1980	1990	1995	2000	2001	2002	2003
Canada	3.4	4.2	4.0	4.3	4.4	4.5	4.5
OECD (high income)	2.8	3.8	3.7	3.9	3.9	4.0	4.1
Spain	2.1	2.9	2.8	3.1	3.2	3.3	3.3
United Kingdom	2.7	3.6	3.6	3.8	3.9	3.9	4.0
United States	3.8	5.1	5.0	5.2	5.3	5.4	5.5

Source: ILO, based on information from the *World Development Indicators* database and Table A.I.

a/ The disparity measures the ratio of GDP per capita at Purchasing Price Parity (PPP) of the developed country (or group of high-income countries) with respect to the average GDP per capita at PPP of the region. See note c/ of Table A.I regarding the calculation of the GDP per capita at PPP.

Economic cycles generally do not occur simultaneously in countries of origin and destination. Thus, a recession in Argentina is not necessarily associated with one in Spain, the United States or Chile. This permits workers that migrate to diversify sources of employment internationally, within or outside the region. Migration becomes a strategy to confront deteriorating domestic labour conditions, economic crisis or stagnation.

Other Determinants of the Decision to Migrate

The decision to migrate depends on additional factors, some of which are not economic, such as internal conflict and political regimes, as well as others of diverse origin, such as the availability of social services for immigrants, social support networks, immigration policies in the destination countries, costs associated with emigration, cultural differences between countries and geographic proximity. Some of these factors are discussed below.

Internal Conflicts and Organized Crime. Internal conflicts are a political determinant of international migration. Civil wars and widespread violence threaten public safety, reduce incentives to invest and generate employment, thereby making migration more attractive. In the case of the region, examples include the civil wars in some Central American countries during the 1970s and 1980s and the current Colombian conflict. Forced migrations and the problem of refugees are additional effects of conflicts. In addition, organized crime, kidnapping and delinquency also stimulate migration.

Political regimes. The political regime is another non-economic variable influencing migration. In general, non-democratic regimes tend to restrict individual liberties as well as civil and labour rights. This scenario occurred with the dictatorships of Argentina, Brazil, Chile and Uruguay, for example, which restricted the rights of workers and the union activities at different times during the 1970s and 1980s. This affected the quality of life and work, stimulating migration to countries with governments that respected rights. The authoritarian regimes in Latin America also affected the functioning of universities and research centres, leading academics and professionals to migrate for political reasons.

Although the countries of the region returned to democratic rule beginning in the 1990s, social discontent has continued in some countries (even in the current period, characterized by an extraordinary export boom and strong economic growth), which coincides with a high level of unemployment and the sustained increase in migration flows. To prevent setbacks or political instability, policies must be designed that focus on managed labour migration based on decent work. In particular, there is a need to promote the effective application of labour laws for workers, generate more and better employment (both in the countries of origin and destination) and promote actions to ensure social protection of workers and dialogue among social actors.

Immigration Policies. In general, international labour markets are segmented and immigration laws and regulations (visas, residency and work permits) that developed countries apply to poor and less skilled immigrants are different from those they apply to foreign professionals, scientists and business people. Frequently, immigration policies are more favourable for skilled than for less skilled immigrants.

Restrictive migration policies are not very effective since there is always the possibility of migrating or remaining illegally in the destination countries. In developed countries, immigration tends to be favoured by unskilled labour-intensive medium and small establishments that hire immigrant workers (to moderate labour costs of production). Service establishments and families requiring domestic labour also benefit from migrant workers. Unions have traditionally opposed immigration, but their position has softened in recent years after the potential for organization and mobilization of immigrants to support union demands was recognized. These and other pressures, such as the fiscal cost of social services for immigrants, come into play when governments define immigration policies.

Amnesty programmes aimed at legalizing undocumented immigrants increased beginning in the second half of the 1980s until the early part of this century. These measures help to provide legal protection to the undocumented migrant worker, who is often in a precarious labour situation. In the United States, seven amnesty acts have been enacted over the past 20 years, starting with the Immigration Reform and Control Act (IRCA) of 1986. The IRCA has had the most important impact to date, permitting the legal residency of roughly 2.7 million undocumented immigrants who were able to demonstrate that they had continuously resided in the country since January 1982 or had performed agricultural work for at least 90 days between May 1985 and May 1986. While it is estimated that subsequent amnesty acts (the most recent was in 2000, the LIFE Act Amnesty) each protected a smaller number of undocumented immigrants, the total impact of these programmes may be as high as 2.5 million.

After the terrorist acts of September 11, 2001 in the United States, the government began to exercise greater control over immigration. Since then, inspections in workplaces have intensified to better control undocumented immigration in locations considered of key importance for national security, such as at military bases, nuclear and chemical plants, and airports. A similar policy has been applied in Europe, particularly after the terrorist attacks of March 11, 2004 in Madrid and the recent attacks in London, with greater control of immigration flows as well as of undocumented migrant workers for security reasons. As regards the current situation, while it is important for developed countries to adopt protection measures to prevent terrorist attacks, it is also crucial that these provisions respect the rights of all individuals. Ideally, these laws should not interfere with the historical process of migration from countries of the region that have been accompanied by amnesty policies for undocumented immigrants, given the benefits derived from this process (including the greater employment and wage opportunities, increased economic efficiency and remittances) for migrant workers, the countries of destination and countries of origin.

Profile of Emigrants from Latin America and the Caribbean

Men comprise the majority of individuals who migrate to outside the region. In the United States in 2003, for example, 63% of employed immigrants from the region were men, of which most were from Mexico, according to the US Census Bureau. Notwithstanding, a unique feature of Latin American and Caribbean intra-regional migration is the predominance of women as compared with that of other regions of the world. Migration of women has specific characteristics that should be taken into account since women are no longer simply companions of male migrant workers. Their role in this process is more closely associated with employment needs and personal goals, complementarity of labour markets among countries, labour demand for service activities in destination countries and the need for family reunification.

Youth migration also has special characteristics in the region. Youths show a greater willingness to migrate than do individuals of other ages, which is directly associated with the difficulties they face in their countries of origin in obtaining employment, adequate income and better employment and educational opportunities, as well as with family migration. The United States is the most attractive destination for young people, most of whom are men. Notwithstanding, South American and Caribbean emigrants are mostly adults. According to a recent Economic Commission for Latin America and the Carribean (ECLAC) report, in 2000, young people represented less than 15% of total Latin American and Caribbean immigrants living in the United States and 13% of those residing in Spain, indicating that there is no youth bias in migration flows from the region. Moreover, with respect to migration within the region, youths comprised approximately 17% of all emigrants in recent years, most of whom reside in Argentina, Costa Rica and Venezuela. A large percentage of this group is made up of women who work in domestic services.

Most workers from the region who migrate to developed countries work in less skilled jobs in the labour market. For example, in the case of the United

States, according to 2003 U.S. Census Bureau statistics, Latin American and Caribbean immigrants were primarily concentrated in service occupations (29%), followed by those in production, transportation (23.5%), construction, extraction and maintenance (17%), sales and office (15%) and agriculture (2.5%). In contrast, only a minority (13%) worked as managers and professionals. Since the data originate from an annual supplement of the household survey (Current Population Survey) rather than an establishment survey, the number of migrant agricultural workers most likely is underreported since many of these workers do not have permanent residences. Differences by sex are observed since immigrant women tend to work in service (40%) and sales and office occupations (23.4%), whereas men tend to be employed in the production and transportation (27%) and construction, extraction and maintenance (26%) occupations.

In general, among lower skilled workers who migrate to developed countries, the greatest benefit is economic, taking into account opportunity costs. Nevertheless, these migrant workers tend to receive low wages and are employed in jobs that are more precarious. In contrast, highly-skilled workers with more formal education (for example, professionals and scientists), besides receiving wage and non-wage economic benefits, have opportunities to develop their academic potential and professional contacts and to use advanced technologies, among other factors. In the case of entrepreneurs, migration is often associated with the search for opportunities to create wealth in other countries, less hampered by the bureaucratic obstacles, high taxes or economic instability they may face in their countries of origin.

The migration of skilled individuals may lead to a phase of stagnation of scientific, technological and knowledge development or slow the pace of business and investment development in the countries of origin to the extent it reduces the required critical mass of scientists, technicians or entrepreneurs. Some examples of this phenomenon are found in Colombia, Ecuador and Venezuela, which have experienced economic and political crises in recent years that have led to the migration of professionals and business people, with the consequent loss of human capital and business skills. These migration trends can be reversed in the medium term if appropriate conditions exist for the return of such talent.

The limited empirical evidence available reveals significant variations in the level of skill and occupations of individuals from Latin America and the Caribbean who migrate to developed countries, especially to the United States. For example, in 1990, Argentina was the country of the region with the largest percentage of professionals and technicians for every 1,000 immigrants to the United States (191.4), followed by Chile (156.9) and Panama (138.1) (Table A.III). In contrast, El Salvador (24.2) and Mexico (26.1) had the lowest proportion of professionals and technicians from the region. Mexico represented a paradox given that it was the country with the largest number of immigrants in the United States in absolute terms, but the skill level of Mexican immigrants relative to their total number was not very high.

Table A.IV shows that immigrants from South America receive a small portion of United States visas for professionals (H-1B): 6.4% of the total in fiscal year 2002, representing just one-tenth of the H-1B visas issued to professionals from Asia in the same year (64.6%). In the field of information and computer technology, Latin America is not an important source of skilled human resources compared with other regions of the developing world. In 2002, 1,500 H-1B visas were issued in the field of information and computer technology to South American immigrants (2%), compared with the 62,121 H-1B visas issued to Asian immigrants in this area (particularly from India, Taiwan and China) (83%).

Determinants and Amounts of Remittances to the Region

The amount of international remittances that immigrants send to their families and countries of origin in Latin America and the Caribbean has grown significantly in recent years. Remittances of money and goods represent a benefit of migration that should be considered in relation to its cost. The main economic and social effects of remittances are that they represent: (i) a source of additional income that families of emigrants receive in the country of origin; (ii) a complement to national savings; (iii) a source of funding for small investment projects; and (iv) a source of foreign currency and financing of the balance of payments.

Immigrants send remittances to their countries of origin for four different reasons: (i) altruism (aid to relatives); (ii) self interest; (iii) return on previous investments in human capital; and (iv) diversification of sources of income and family security.

(i) Altruism and family obligation. The migrant, generally the family member with the highest educational level and ability (or willingness) to assume the risk of traveling to work abroad, sends remittances to help his relatives as a form of solidarity or family

"responsibility." The migrant attempts to protect family members from adverse economic cycles, unemployment or simply from the low wages in the country of origin. If they are the head of the household, remittances may be viewed as part of the implicit obligation to cover family expenses.

(ii) Self interest. Remittances are a form of investment more than a transfer for reasons of solidarity. The migrant may save in the destination country in order to obtain higher returns in the country of origin than in the country of residence; for this reason, he sends remittances to a family member –or agent– so that the individual can administer the funds and invest in local assets (from financial instruments to housing investments or properties). One variant is to contribute to family wealth in order to "qualify" subsequently for an inheritance.

(iii) Return on previous family investments in human capital. Emigrants have an educational level that is relatively higher than that of other family members due to investments made, usually by the family. In this context, the emigrant and his family view sending remittances as a return on a previous investment in the emigrant, who is better equipped for success abroad as a result. Remittances are considered "dividends" paid to the family for its investment in human capital.

(iv) Diversification of sources of income and family security. Emigration is a rational strategy of international diversification of income sources, a type of family "insurance." The family decides to diversify income sources geographically and "sends" a family member to work abroad in markets with better employment opportunities and higher wages. The

TABLE A.III

SHARE OF IMMIGRANT PROFESSIONALS AND TECHNICIANS FROM 16 LATIN AMERICAN AND CARIBBEAN COUNTRIES IN THE UNITED STATES AND SELECTED COUNTRIES OF THE REGION, 1990

Country of origin	Country of residence (destination)	Total immigrants	Total immigrant labour force	Professionals and technicians	Professionals and technicians for every 1,000 employed immigrants
Mexico	United States	4,298,014	233,781	60,965	26.1
Cuba	United States	736,971	428,257	46,792	109.3
Colombia	Venezuela	528,893	324,287	15,001	46.3
El Salvador	United States	465,433	276,345	6,678	24.2
Dominican Republic	United States	347,858	165,478	8,584	51.9
Jamaica	United States	334,140	212,993	28,020	131.6
Colombia	United States	286,124	176,696	15,518	87.8
Paraguay	Argentina	251,130	150,034	5,751	38.3
Haiti	United States	225,393	137,427	12,455	90.6
Chile	Argentina	218,217	144,019	5,562	38.6
Ecuador	United States	143,314	88,540	6,066	68.5
Peru	United States	144,199	90,337	9,051	100.2
Uruguay	Argentina	133,653	84,478	5,890	69.7
Guyana	United States	120,698	71,718	8,327	116.1
Trinidad and Tobago	United States	115,710	74,018	9,550	129.0
Argentina	United States	92,563	50,228	9,614	191.4
Panama	United States	85,737	48,313	6,671	138.1
Chile	United States	50,322	32,300	5,067	156.9

Source: Barrere, Luchilo and Raffo, *Highly Skilled Labour and International Mobility* in South America, STI. Working Paper 2004/10. OECD.

TABLE A.IV

H-1B VISAS ISSUED BY THE UNITED STATES TO IMMIGRANTS WITH QUALIFICATIONS IN INFORMATION AND COMPUTER TECHNOLOGY, FISCAL YEAR 2002

Region of origin	H-1B Visas Issued		Visas Associated with Information and Computer Technology		
	Total	Percentage	Total	Percentage of Total H-1B Visas	Percentage in the Information Technology Sector
Africa	5,994	3.0	1,308	21.8	1.7
Asia	127,625	64.6	62,121	48.7	82.7
Europe	30,840	15.6	5,901	19.1	7.9
South America	12,732	6.4	1,500	11.8	2.0
Others	20,346	10.3	4,284	21.1	5.7
All countries	197,537	100.0	75,114		100.0

Source: Barrere, Luchilo and Raffo (2004), op. cit.

remittances are thus the equivalent of the payment (in installations) for purchasing the insurance.

Monetary remittances to the region have risen sharply since the late 1990s, surpassing direct foreign investment and official development assistance. According to the Multilateral Investment Fund (MIF) of the Inter-American Development Bank (IDB), the total amount of remittances sent to 23 countries of the region represents more than 75% of the GDP of Latin America and the Caribbean at close to US$ 45.8 billion in 2004, compared with US$ 24 billion in 2001. The country receiving the largest sums in remittances in the region is Mexico (US$ 16.6 billon in 2004), followed by Brazil (US$ 5.6 billon) and Colombia (US$ 3.8 billon) (Table A.V). The actual amounts of remittances may be even higher than the figures cited given that in many cases, remittances are sent through informal channels that do not record transactions (for example, friends or relatives may transfer money or goods personally).

In several countries of the region –particularly in Central America and the Caribbean– remittance flows are of key importance, although this depends on whether the indicator is the absolute amount, a percentage of GDP or of exports, or remittance per capita. Remittances represent more than one fifth of GDP of three countries (Haiti, 33%; Nicaragua, 29% and Jamaica, 29%), although both the GDP and the amount of remittances may be underestimated. In four countries, remittances represent between 10% and 20% of GDP (the Dominican Republic, El Salvador, Guyana and Honduras), according to 2002 data (Table A.VI). In South America, Ecuador is the country where the remittances represent the highest percentage of GDP (7%); in contrast, in countries that receive the largest remittances in absolute terms, the amounts represent a relatively small percentage of their respective GDPs: Mexico (3%), Colombia (2%) and Brazil (1%).

The countries with the highest remittances per capita are Panama (US$ 440), El Salvador (US$ 361) and the Dominican Republic (US$ 257), whereas the countries with the lowest remittances per capita are Argentina (US$ 6), Venezuela (US$ 10) and Brazil (US$ 30). It is estimated that each immigrant residing in the United States sends on average US$ 3,000 annually in remittances, roughly 10% of their income in the country of residence.

Impact of Migration and Remittances on Unemployment, Real Wages and Socioeconomic Development

Labour Situation of Immigrants in Destination Countries

International migration and remittances have different effects on the labour market (real wages and other dimensions) of destination and origin countries, as well as on the level of economic and social development of the countries. The quality of employment and labour conditions may differ for immigrants and native-born workers. Whereas the real wage is generally higher in the destination country than in the country of origin (one of the main reasons for migrating), immigrants from the region face different disadvantages in the labour market of the destination country as compared with native-born workers. The available evidence, mainly from the United States, indicates that Latin American and Caribbean immigrants face higher levels of unemployment and receive lower earnings than those of native-born workers. In the United States, for example, U.S. Census Bureau statistics indicate that in 2003, the unemployment rate among Latin American and Caribbean immigrants was 8.7% (compared with 6.2% for native-born individuals), with female immigrants having the highest incidence of unemployment (9.5% versus 8.2% for male immigrants). Earnings were also relatively low, since 41% of immigrants from the region with full-time, year-round employment earned less than US$ 20,000 in 2002, compared with 16.5% for the native-born population in the same situation. It is estimated that close to seven of every 10 U.S. immigrants from the region have an annual income of less than US$ 35,000. In 2002, median earnings of immigrant workers from the region with full-time, year-round employment were US$ 28,082, compared with US$ 42,575 for native-born workers.

The poverty levels of immigrants are affected by the labour market situation. In 2002, 21.6% of immigrants from Latin America and the Caribbean were classified as poor in the United States –the highest level among all regions of immigration to the United States, according to the U.S. Census Bureau–, which was almost double the percentage of poor native-born workers in the same year (11.5%). Female immigrants from the region have a higher incidence of poverty (24.5%) than do male immigrants (19.1%), whereas per sub-region, more Mexican and Central American immigrants are poor (23.6%) than are immigrants from the Caribbean (18.9%) and South America (14.5%).

TABLE A.V

23 COUNTRIES OF LATIN AMERICA AND THE CARIBBEAN: REMITTANCES RECEIVED BY COUNTRY, 2001-2004

(*millions of U.S. dollars*)

Countries	Years			
	2001	2002	2003	2004
Argentina	...	...	...	270
Belice	42	38	74	77
Bolivia	103	104	340	422
Brazil	2,600	4,600	5,355	5,624
Colombia	1,600	2,431	3,220	3,857
Costa Rica	...	...	321	306
Cuba	930	1,265	1,296	...
Dominican Republic	1,807	2,206	2,164	2,438
Ecuador	1,400	1,575	1,657	1,740
El Salvador	1,920	2,111	2,210	2,548
Guatemala	584	1,689	2,211	2,681
Guyana	...	119	137	143
Haiti	810	931	851	1,026
Honduras	460	770	862	1,134
Jamaica	967	1,288	1,426	1,497
Mexico	9,273	10,502	13,929	16,613
Nicaragua	610	759	788	810
Panama	...	...	...	231
Paraguay	...	...	...	506
Peru	905	1,138	1,155	1,360
Suriname	...	...	...	51
Trinidad and Tobago	...	59	93	93
Uruguay	...	...	...	105
Venezuela	...	235	196	259
Total	24,011	31,820	38,285	45,800 a/

Source: ILO, based on data from Orozco, M. *Remittances to Latin America and the Caribbean: Issues and Perspectives on Development*. Report prepared for the OAS, Office of the Summit Process (2004) and MIF-IDB (2004).

a/ The total includes other countries not listed.

TABLE A.VI

17 SELECTED COUNTRIES OF LATIN AMERICA AND THE CARIBBEAN: ECONOMIC IMPORTANCE OF REMITTANCES SENT BY COUNTRY OF ORIGIN, 2002
(*percentages*)

Countries	Remittances as a percent of GDP	Remittances as a percent of exports
Haiti	33	333
Nicaragua	29	127
Jamaica	23	117
El Salvador	18	71
Honduras	16	61
Guyana	16	24
Dominican Republic	11	43
Guatemala	9	76
Ecuador	7	31
Mexico	3	6
Colombia	2	20
Peru	2	15
Brazil	1	8
Bolivia	1	8
Costa Rica	1	4
Venezuela	0	1
Cuba	...	83

Source: Orozco, M. (2004), op. cit.

Labour market and poverty conditions of immigrants reflect low skill levels of most immigrants from the region. Latin American and Caribbean immigrants in the United States have lower educational levels than do immigrants from Europe, Asia and other regions. In 2003, only 49.1% of immigrants from the region living in the United States had completed secondary school, as compared with 87.5% for native-born workers, according to the U.S. Census Bureau. Immigrants from Mexico and Central America have the lowest educational levels: only 37.7% reported having completed secondary school. Other factors explaining the problems immigrants from the region face in the labour market include language barriers, limited access to information on vacancies, difficulties in receiving recognition of titles and diplomas, as well as employment discrimination.

Effects on Real Wages

In open, globalized economies, international migration of workers is an adjustment mechanism of the labour market (in addition to the mechanisms of unemployment, underemployment and informal sector employment) in response to external shocks. It is a mechanism that acts through the supply of labour in labour markets. Migration, which represents a behaviour of the labour force in response to the insufficient demand for labour or accumulated imbalances in the labour market (persistent unemployment and underemployment), reduces the labour supply and drives real wages upwards in certain regions, industries and occupations in the country of origin. In contrast, in the destination country, immigration increases the labour supply and reduces the real wage (or moderates its increase), depending on the magnitude of immigration flows, the skill level of migrant workers, as well as on the structure and elasticity of labour demand in the sector in which they work. Thus, international migration constitutes an adjustment mechanism in international labour markets, which tends to reduce wage disparities among countries through a process of convergence. However, this convergence may be difficult to perceive, particularly if "initial" wage disparities are marked.

Most empirical studies on the subject focus on the effects of immigration on the real wages of the destination country, particularly the United States. Since several countries of Latin America and the Caribbean also receive immigrants, the qualitative analysis of the effect of immigration on the real wage is also relevant for these countries, although it is important to adjust for migration flows and relevant categories (educational levels and qualifications) of immigrants. Some studies indicate that immigration to the United States between 1980 and 2000 was associated with a decrease of 3.2% in the real hourly wage and an increase of 11% in total male employment. The effect on the real wage depends mainly on the educational level of the immigrant: it falls 8.9% among U.S. workers who have not completed secondary school, that is, those with less than 12 years of schooling. This decrease is subject to the lower limit of the national minimum wage. For workers who have completed tertiary (college) education, the reduction of the real wage associated with immigration is 4.9%; for workers who have completed secondary school, the real wage at equilibrium falls 2.6% and among workers with some tertiary education, the real wage is practically not affected, according to a recent Harvard University study. These results demonstrate the effect of immigration to the United States from all countries of the world rather than just from the region, although Latin America and the Caribbean are the main source of immigrants to that country.

The fact that the most important effect of immigration on the earnings of native-born workers is the reduction of average wages among workers with less schooling (those who have not completed secondary school) implies that most immigrants in the United States have lower skill levels or educational attainment than the average for that country. This corroborates what was previously mentioned regarding the low level of education of a large percentage of immigrants from the region. In addition, more highly skilled individuals in the country of origin may work in the destination country in positions for which they are overqualified, such as the classic example of the foreign engineer who drives a taxi in the country of immigration.

Effects of Migration and Remittances on Socioeconomic Development

Migration also has other effects on socioeconomic development. For example, in the countries of origin, the level of the GDP and/or its rate of growth can be affected by migration. If emigrants previously worked in activities of low productivity in the informal sector or in traditional agriculture, the effect on GDP may be slight. However, if they are professionals, experts in new technologies or entrepreneurs, the impact on the economic growth of the country of origin may be greater than in the case of the migration of less skilled workers. For the destination country, immigration reduces real wages and labour costs in certain geographical areas, industries and occupations (especially of less skilled workers and of workers who have completed their tertiary education to a lesser extent) which has a positive effect on business costs and consequently on investment and growth. Likewise, the immigration of professionals and other skilled workers increases the stock of skilled human resources in the destination country, adding new professional, technical and business skills to these economies. For countries receiving immigrants that have low growth rates in the domestic labour force, immigration represents an expansion of the labour supply, with potentially positive effects on the country's economic growth. In addition, as several developed countries are undergoing an aging of the population, immigration frequently contributes to moderating this demographic trend and alleviating pressure on social security systems.

Remittances partially compensate migration costs and add several benefits: while families of emigrants receive additional income through remittances, the countries of origin, and therefore, the receivers of remittances, benefit from the flow of foreign currency (although they may affect the exchange rate) and savings that can be mobilized for national development. Emigrants from the region living in the United States send between US$ 200 and US$ 300 in monthly remittances on average, which is more than the monthly minimum wage in several countries of Latin America and the Caribbean. For this reason, remittances represent an important source of income for families, particularly poorer ones.

Use of Remittances: Basic Outlays, Fixed Assets and Education

Studies commissioned by the MIF-IDB in five countries of the region (Ecuador, El Salvador, Guatemala, Honduras and Mexico) analyzed how families receiving remittances distribute these resources in consumption, savings and investment. Although there were substantial differences among countries, on average approximately 72% of remittances are used to cover expenses such as food, public utility fees, rent or mortgage payments. Savings represented 7% of total spending of remittances on average, whereas education accounted for 6% and housing purchases, 1.8% (Table A.VII). The positive effect of remittances on the welfare of receiving families is obvious in that they support the consumption of basic goods and serve as a source of savings and financing for investment in

TABLE A.VII

USE OF INCOME FROM REMITTANCES IN FIVE LATIN AMERICAN COUNTRIES, 2003[a/]

(*percentages*)

Type of spending	Guatemala (%)	Honduras (%)	El Salvador (%)	Mexico (%)	Ecuador (%)
Basic outlays (mortgage, rent, food)	68	77	84	70	60
Savings	11	4	4	7	8
Business investment	10	4	4	1	8
Education	7	10	4	6	2
Other items	3	3	2	3	18
Property purchase	1	2	1	1	4
Not known / no response	0	0	2	11	1
Total	100	100	100	100	100

Source: Orozco M. (2004), op. cit.

a/ Last available year for the five countries, circa 2003.

human capital (education), as well as for the acquisition of durable goods and housing.

A World Bank study based on a national survey of household budgets in Guatemala distinguishes between families receiving international and domestic remittances and families that receive neither. It indicates, for example, that families receiving remittances from abroad (close to 8% of the sample) have a higher educational level, fewer children and tend to live in urban areas, compared with families that do not receive this type of remittance. A key result is that Guatemalan families that receive remittances (domestic or external) generally spend less, at the margin, on food and more on housing and education than do families that do not receive remittances. The results are consistent when controlling for other determinants of household spending and savings patterns, such as the level of per capita income.

Effects of Remittances on Investment and Growth

In Caribbean countries, remittances rose as a proportion of GDP, increasing from 3% in 1990 to 13% in 2002, whereas in the same period, direct foreign investment declined from 11% to 7% of GDP and official development aid fell from 4% to 1%, according to a recent World Bank study. In addition, approximately 12% of the Caribbean labour force has migrated to OECD member countries. It is estimated that a 1% increase in remittances to this sub-region increases private investment (as a percentage of GDP) by 0.6%. In general, remittances fund small or medium investments, including housing, land, small businesses and agriculture.

So-called "collective remittances," that is, remittances sent by associations of immigrants residing in developed countries, frequently contribute to the financing of urban and social infrastructure, such as neighbourhood improvement works and the building and equipping of schools and hospitals. In the United States, particularly noteworthy are remittances from communities of immigrants from El Salvador (they send approximately US$ 10,000 annually on average to their country) and associations of Mexican immigrants, which send up to US$ 25,000 per year. In the Mexican state of Zacatecas, the local government grants matching funds to remittances to multiply their effect. With financing schemes based on remittances, the government has funded almost 400 urban improvement and microenterprise projects in eight years.

There is disagreement regarding the effect of remittances on the economic growth of receiving countries. On the one hand, increasing remittances and savings available for consumption and investment can be expected to positively increase the level of economic activity and growth in the medium term. A recent econometric study, which measured the effect of remittances (as a proportion of GDP) on the growth rate of GDP per capita in Ecuador and Colombia, found a positive impact in both countries. In contrast, a study by the IMF attempted to demonstrate that remittances were a compensatory private transfer intended to confront adverse economic situations in the countries of origin and therefore were countercyclical, resulting in a negative correlation with GDP growth per capita in countries receiving remittances. This study, which was based on a sample of 113 countries using cross-sectional and panel specifications for the period 1970-1998, found that remittances (as a proportion of GDP) had a negative effect on the GDP per capita growth rate.

In addition, in countries receiving large volumes of remittances from abroad, there is a tendency for the real exchange rate to appreciate, thereby reducing the profitability of non-traditional exports, which are a source of employment and foreign currency. Moreover, remittances can create a "culture of dependence" in receiving families, decreasing incentives to work and invest in employment training. Another aspect to consider is that poor immigrants tend to pay a relatively high effective cost for sending remittances in the absence of a formal banking system in this segment, which forces them to rely on remittance transfer companies, travel agencies and others.

Remittances and Poverty

There is a two-way relationship between poverty and remittances. On the one hand, remittances are a key source of income for families in the countries of origin, which can help them to escape poverty. In the medium term, the most sustainable economic potential of remittances depends on their use. On the other hand, the levels of per capita income of the country of destination and of poverty in the country of origin are variables that can affect the volume of international remittances. A World Bank cross-sectional study of a sample of 74 middle-income developing countries showed that international migration (measured as the proportion of the population of a country living abroad) had a statistically significant effect on poverty. On average, a 10% increase in the share of remittances in GDP led to a 1.6% reduction in the percentage of individuals living below the poverty line. The study also found that a 10% increase in the proportion of emigrants in the population of a country reduced poverty by 1.9%.

Nevertheless, the study did *not* find that countries with higher poverty levels send more emigrants abroad. This is because migration involves costs and, as indicated earlier, the poorest individuals cannot afford to emigrate. According to the study, emigrants appear to come from groups with incomes above the poverty line. These results indicate that whereas labour migration, through remittances, has a positive effect on poverty in the countries of origin in the region, it would not have the same impact on extreme poverty because emigrants do not generally originate from the poorest sectors.

Final Comments on Migration, Employment and Development

Migration is a form of adjustment of the labour market associated with a balance (or imbalance) between demand, or pace of job creation, and the labour supply in countries of origin and destination. These imbalances are also reflected in disparities in real wages and income between countries. The labour market situation and incentives for migration are directly associated with a country's capacity for growth with respect to that of other countries. In the past two decades, Latin American and Caribbean countries have experienced slow, volatile growth, accompanied by a relatively high rate of total unemployment and informal sector employment. These are all internal factors (of the region) that motivate migration.

International migration generally has favourable economic effects for immigrants, who benefit from income and real wage disparities between countries by migrating to countries with higher real wages. Nevertheless, issues of social equity and entry of immigrants into labour markets and the society of the destination countries should also be considered in a comprehensive analysis of migration. In economic terms, migration represents a flow of workers and human capital to countries with higher productivity, resulting in greater economic efficiency, although the distribution of the benefits of efficiency varies between the countries of origin and destination. Inefficiencies in the allocation of resources also should be taken into account if higher skilled immigrants work in destination countries in positions for which they are overqualified. Besides increased income, additional benefits associated with migration may include a better education for immigrants' children and higher quality social services than those in the source country. This increases the probability that the children of immigrants will have social mobility in the destination country (in general, language barriers disappear in the second generation and cultural assimilation is greater than in the first generation of immigrants).

The benefits of immigration are tempered by some psychological costs (at least in the short term) associated with the difficulties of living in unfamiliar situations and the problem of income inequality and economic vulnerability of migrants from the region who settle in developed countries. Immigrants from Latin America and the Caribbean in the United States are generally classified in the lower end of the income distribution and have higher unemployment and poverty rates than those of native-born workers. Their situation is associated with their limited education as well as with language barriers, difficulties in having their diplomas recognized and even employment discrimination, which may hamper these immigrants from fully exercising their productive potential.

Thus, it is essential to ensure access to decent work and respect for labour and civil rights of immigrants in destination countries. If the immigrant is an undocumented worker, he will live in a situation of labour insecurity and unstable employment, although his salary or income will likely be higher than in the country of origin. The problems associated with migration status (visas, residency) and the right to receive social benefits, such as healthcare and others, can negatively affect immigrants, particularly the poorest and least skilled. At the same time, in the countries of origin, decent work must be promoted to overcome factors that stimulate migration.

In sum, socioeconomic conditions must be created to generate productive employment with adequate wages, social protection, dignified work conditions and ongoing dialogue among the social actors of the countries of the region. Because female migrant workers are more vulnerable than are their male counterparts in terms of unemployment, poverty and discrimination, it is necessary to incorporate gender issues in the design and implementation of decent work policies for labour migration.

There are dissimilarities in economic effects and migration status between unskilled, poor immigrants and skilled workers, professionals, scientists and entrepreneurs who migrate. Latin America and the Caribbean still produces few professionals specialized in the areas of advanced technology such as information and computer technology as compared with other developing regions, such as Asia (particularly China, India and Taiwan). This indicates that the region is not a key competitor at the global level in the "knowledge economy." The phenomenon of migration of skilled human resources and their patterns of international circulation should also be incorporated in an agenda of migration, employment and development.

In several countries of the region, international remittances represent an important share of GDP, constituting an additional source of income for receiving families, which mainly use them for consumption, as well as to cover the costs of education, housing, home improvement and other forms of investment. Studies demonstrate positive effects of remittances on investment and poverty, although they are inconclusive with respect to the effect of remittances on economic growth. Nevertheless, the actual costs charged by intermediaries for sending remittances are generally higher than their marginal cost, thereby reducing the social benefit of remittances for receiving families. In this process there is a redistribution of immigrant income toward remittance transfer companies, given immigrants' limited access to the international banking system. Efforts to lower the cost of sending remittances and to mobilize these resources for local investment should be included in an agenda of migration, remittances, employment and development.

Box

PROPOSAL FOR A PLAN OF ACTION FOR MIGRANT WORKERS FROM LATIN AMERICA AND THE CARIBBEAN

The situation of migrant workers from the region has become increasingly important in the development of a hemispheric agenda on decent work. In this box article, the ILO Regional Office for Latin America and the Caribbean proposes a plan of action for these workers based on the Resolution, *Towards a Fair Deal for Migrant Workers in a Global Economy*, adopted at the 92nd meeting of the International Labour Conference in 2004, as well as on the specific needs of the countries of the region.

The plan includes five priority lines of action: (i) improve the measurement and analysis of migration; (ii) strengthen pertinent labour standards and their application; (iii) promote social dialogue on the issue; (iv) generate decent work and relevant development policies; and (v) promote the incorporation of the migration issue in integration processes. The proposal has two crosscutting issues for the proposed goals and activities: (i) a focus on women and the vulnerable population, that is, the poor, youth, indigenous communities and the rural population, and (ii) capacity building and technical assistance.

Whereas the first line of action focuses on measuring and analyzing the situation of all migrant workers, regardless of their legal status, the second (standards) differentiates by legal status in some cases. The recommendations regarding the promotion of social dialogue, generation of decent work policies and incorporation of the migration issue in integration processes refer mainly to documented workers, reflecting the commitment of the ILO to promote managed legal migration that respects institutional instruments, applicable multilateral and bilateral agreements as well as national legislation.

Improve Measurement and Analysis

Goal: *In 2010, have a statistical information system on migrant workers in the Americas that facilitates studies that contribute to the development of managed migration policies.*

The region faces major challenges with respect to the measurement and analysis of migration. Despite the progress made in collecting data on remittances, updated statistical information is lacking on the stock and flows of migrant workers and their demographic, economic and social characteristics, among other aspects. Several international organizations attempt to measure and/or analyze migration in the region, for which reason strategic partnerships and an inter-agency working group should be formed, with the participation of statisticians and analysts.

Proposed activities include harmonizing concepts, definitions and methodologies for measuring labour migration (stock, flows and remittances). This would contribute to allowing comparisons of migration trends among countries and to developing policies for integration processes, as well as facilitate technical assistance activities. In addition, labour statisticians and economists should be trained in the measurement and analysis of labour migration, particularly in countries with higher migration flows. The application of a special periodic migration supplement in household surveys is also recommended, as is the intensification of horizontal cooperation and exchange of information to improve statistics in this area.

More qualitative and quantitative studies should be carried out on labour migration, taking into account gender aspects and the long-term performance of labour markets by sector, including the rural sector, in areas relevant for future migration flows, to develop managed migration policies and to strengthen the mutual benefits of migration.

Moreover, it is essential to improve communication between social actors and statisticians and analysts of migration data, with an emphasis on training and raising awareness of policymakers and ILO constituents regarding the need for reliable data and analysis on labour migration and related issues to develop better policies.

Strengthen Pertinent Standards and their Application

Goal: *In 2010, achieve the ratification of ILO Conventions Nº 97 (Migration for Employment*

Convention, revised, 1949) and Nº 143 (Migrant Workers, Supplementary Provisions, 1975) by all countries of the region and have a system in place to identify weaknesses in their application in order to provide the necessary technical assistance.

Labour standards play a key role in the migrant worker agenda. To be effective, credible and applicable, national policies and practices on labour migration and the protection of migrant workers require a solid legal foundation based on national and international law. Many international labour standards contain principles and rights to guide national legislation and policy with respect to the management of labour migration and the protection of migrant workers. These include the aforementioned Conventions Nº 97 and Nº 143, as well as recommendations Nº 86 and Nº 151, which urge cooperation among states and the adoption of measures to facilitate and control migration flows. (These instruments and other ILO Conventions are available in the ILOLEX database: www.ilo.org/ilolex/english/index.htm.) They also include the underlying principle of equal treatment between documented migrant workers and native-born workers, basic protection standards for all migrant workers and the participation of social actors in the development of national policies.

Migrant workers benefit from the protection established in the ILO Declaration on Fundamental Principles and Rights at Work and its follow-up (1998). The eight basic ILO conventions with respect to the freedom of association and the effective recognition of the right to collective bargaining, the elimination of discrimination in terms of employment and occupation, as well as the eradication of forced or compulsory labour and child labour are applicable to all migrant workers, regardless of their situation. Other ILO standards for employment, work inspection, social security, protection of maternity, wages, occupational safety and health, private recruitment agencies and working conditions in agriculture, construction, hotels and restaurants, which employ large numbers of migrants, contribute to ensuring that legislation and national policies guarantee the protection of these workers.

The specific problems and vulnerability of undocumented migrant workers should also be addressed, particularly with respect to the protection of their human rights.

To strengthen labour standards and their effective application in the region requires strategic partnerships among ILO constituents, international and national organizations, migrant workers and other actors. A thematic workgroup should be organized with the participation of civil society to promote the ratification of Conventions Nº 97 and Nº 143, the International Convention on the Protection of the Rights of All Migrant Workers and Their Families; and the Vienna Convention on Consular Relations. In addition, national laws, policies and practices should be adapted to international standards.

Migrant workers and diplomatic and consular staff also should receive training in the human and labour rights of migrant workers, as well as in complaint procedures. In addition, employers should be informed on their obligations to migrant workers and the rights of these workers.

Promote Social Dialogue

Goal: *In 2008, have a regional network dedicated to the promotion of decent work for migrant workers, integrated by tripartite workgroups in destination countries within and outside the region. The network would include representatives of documented migrant workers.*

Social dialogue among national workers, documented migrant workers, employers, governments and other actors is essential for achieving decent work among migrant workers. There are major challenges in this area.

Employers face numerous political and practical challenges when they hire foreign workers. They must select, hire and ensure the employment of workers through regular channels; follow complex, lengthy administrative procedures; control documents; avoid being sanctioned for employing migrant workers without permission; manage labour relations in multiethnic workplaces; and ensure adequate training and protection in multilingual workplaces.

Likewise, labour migration poses special problems for workers' organizations. These organizations must establish contact with migrant workers and organize them; ensure solidarity among foreign and national workers; cooperate with employers to integrate migrant workers in multicultural workplaces; and ensure migrant workers' access to policy forums to guarantee that their opinions are considered. Workers' organizations in the countries of origin, through contacts with their counterparts in the destination countries, can help migrant workers to obtain information on employment opportunities and labour rights and obligations in destination countries.

The social dialogue process requires continuous efforts. In countries where no true social dialogue exists, it is crucial to establish sustainable mechanisms. In countries where it does exist, systems should be strengthened and new systems established, involving more groups committed to the objective of achieving decent work for migrant workers. Specifically, a regional workgroup on social dialogue for migrant workers should be formed to develop concerted decent work, migration and development policies, with clear recommendations for lines of action. The group should work to build consensus on plans of action to promote the human and labour rights of migrant workers, as well as to raise public awareness of the value of diversity in the population in destination countries. It should also seek funding to carry out tripartite studies based on statistical information to complement existing research. The tripartite mechanisms require the development of communication strategies on labour migration with organizations of employers and workers, governments, migrant communities and other social actors.

Generate Decent Work and Development Policies

Goal: *In 2008, assure that key countries of origin and destination of migrant workers in the region have a strategy and a plan of action designed to generate decent work.*

The ILO, its constituents and other social actors should continue to strengthen mechanisms to develop decent work policies in response to the driving forces of migration in the countries of origin: poverty, inequality and social exclusion, among others. The employment conferences organized with Southern Common Market (MERCOSUR), Andean and Central American countries resulted in proposals aimed at increasing quality employment that include policies at the macroeconomic, mesoeconomic and microeconomic levels and that target the labour market. It is necessary to ensure that the benefits of the policies applied reach all social actors and include migrant workers.

The ILO, its constituents and other social actors should also develop decent work policies that include migrant workers in destination countries. Notwithstanding the positive experiences of many migrant workers, many others face problems such as low wages and high unemployment rates, inadequate working conditions, limited social protection, denial of the right of freedom of association and other worker rights, discrimination and xenophobia, as well as social exclusion.

There are some good examples of the commitment to respect the labour rights of migrant workers as well as to improve their working conditions. In the U.S. - Mexico Joint Ministerial Statement Regarding Labour Rights of Immigrant Workers, issued in April 2002, the secretaries of labour of the two countries reiterated their commitment to fully enforce the applicable labour laws administered by their departments to protect all workers. These laws, including the basic worker protections guaranteeing payment of a minimum wage and assuring safe and healthy workplaces, will continue to be vigorously enforced to protect all workers, regardless of their migration status. In addition, in July 2004, the U.S. labour secretary and the Mexican foreign secretary signed a Joint Declaration to Improve Working Conditions for Mexican Workers. In this agreement, the U.S. Department of Labour's Wage and Hour Division and Occupational Safety and Health Administration signed Letters of Agreement with the Mexican foreign affairs ministry.

In the Agreement between the Kingdom of Spain and the Republic of Ecuador Regarding the Regulation and Arrangement of Migration Flows signed in May 2001, the parties agreed to provisions regarding the communication of employment opportunities, assessment of professional qualifications, travel and entry, labour and social rights and conditions, and temporary workers, among others. As regards labour and social rights, the parties agreed to provisions to facilitate business, work or professional activities; family reunification; wages and working conditions, including Social Security benefits; and resolution of labour disputes.

In April 2005, the Canadian government launched the Internationally Trained Worker Initiative, thereby demonstrating the country's commitment to improving the integration of immigrants in the Canadian labour market. This initiative is centred on improving the integration of health professionals trained internationally, establishing the Foreign Credential Recognition Programme, developing the Enhanced Language Training Initiative for immigrants, establishing an on-line Going to Canada Internet portal with information for individuals interested in emigrating to Canada, and preparing an Action Plan Against Racism.

The proposed partnership should take into account these declarations and initiatives as examples to strengthen policies designed to protect and promote the rights of migrant workers and their families, including measures against the trafficking of individuals. These measures should include provisions for legal action against those participating in illegal activities; protection and assistance to victims; coordination among national and international investigations; as well as activities to address the causes of the problem in countries of origin, access to channels for legal labour migration and decent work in the countries of origin. Countries can also contribute to these measures by developing policies to prevent and eliminate illegal migration.

Another key element is the promotion of policies that maximize the contribution of migration to development. These include the need to seek incentives that promote the productive investment of remittances to overcome poverty, inequality and social exclusion of vulnerable groups. Mechanisms should be considered (for example, through collective remittances) to allocate resources for the development of projects and programmes that generate or increase decent work. Other options include promoting the transfer of capital and technology on the part of professional and entrepreneurial migrant workers and multinational business initiatives. Although remittance transfer costs have decreased, efforts should continue to develop technological and structural solutions to reduce them further since actual costs exceed the marginal cost of transfer.

Finally, policies are required to promote social integration and inclusion and eliminate labour discrimination against migrant workers. Measures may include actions to improve the different conditions facing men and women and to reduce women's vulnerability; promote access of migrant workers and their families to healthcare services, and; fight discrimination and xenophobia where they exist.

Promote the Incorporation of the Migration Issue in Integration Processes

Goal: *In 2007, have a plan of action that promotes the inclusion of the issue of labour migration in integration processes in the Americas.*

Regional integration processes facilitate the most productive use of the labour force in expanded markets. The economic consequences of labour migration in destination countries are mostly beneficial because they favour the creation of employment, contribute to diversifying the population as well as reduce inflationary pressures in certain regions of high immigration. The repercussions of labour migration on the countries of origin, especially the more underdeveloped ones, are more complex.

The migration issue has been included to varying degrees in regional integration processes. In Central America, the Tegucigalpa Declaration issued at the VII Summit of Heads of State and Government in June 2005 underscored the importance of promoting and respecting the human rights of migrants, and promoted cooperation activities to fight illegal trafficking of migrants and trafficking of individuals. This Declaration also expressed support for establishing a strategic alliance in support of emigrants from member countries residing in the United States and Canada, which seeks to establish measures that contribute to improving their living conditions and legalizing their migration status. During the XI Meeting of the Council for Human and Social Development of CARICOM, which took place in October 2004, participants agreed on measures to facilitate the free movement of highly skilled individuals in the sub-region, including measures to be adopted by member states to ensure the validity, authenticity and security of CARICOM Certificates of Recognition of Skilled Qualifications.

In the Andean sub-region, Decision 545, or the Andean Labour Migration Instrument of June 2003, established common provisions for all migrant workers of the Andean Community, a programme for the free movement of Andean migrant workers within the sub-region as well as transitional provisions by classification of migrant worker. The Southern Common Market (MERCOSUR) Socio-labour Declaration of December 1998 stipulated in Article 4 that all migrant workers, regardless of their nationality, have the right to assistance, information, protection and equal rights and working conditions granted to native-born workers. In addition, it indicated that abiding member states commit to adopting measures pursuant to the establishment of common standards and procedures with respect to the movement of workers in border areas and to carrying out the actions necessary to improve employment opportunities and working and living conditions of these workers.

Since some important issues related to migrant workers have limited visibility in these integration processes in some cases, it is recommended that they receive greater attention. Managed labour migration should be promoted through bilateral and multilateral agreements between countries of origin and destination, which address different aspects of migration, such as human, labour and migration rights, admission procedures, flows, social security, possibilities for family reunification, social integration policy and returning migrants. Specific multilateral agreements should be established for documented migrant workers with respect to social security and other benefits.

Finally, migration provisions, laws and labour codes should be harmonized with integration processes. In addition, labour mobility should be promoted in the framework of the integration and economic development strategy. Furthermore, information exchange on vacancies and qualifications required for foreign workers should be improved. Information also should be exchanged among countries regarding good practices associated with migration agreements in integration processes.

Generating Decent Work in Open Economies: The Strategy of Growth with Quality Employment

For most countries of Latin America and the Caribbean, the economic reforms adopted in the 1990s generated positive expectations for overcoming the major macroeconomic imbalances of the 1980s. In a context of democracy and price stabilization, it was hoped that growth and development would be promoted by liberalizing markets and curbing government intervention in the economy, with positive effects on employment and quality of life.

Although progress has been made in controlling macroeconomic imbalances, particularly in terms of healthier public accounts and reduced inflation, GDP growth has remained lacklustre, unstable and highly dependent on volatile flows of foreign capital for the past 15 years. The weakness of economic growth is reflected in an increase in unemployment (in a context of an expanding labour supply) and precarious employment, as well as in greater income inequality, contributing to persistent high poverty rates in the region. Although macroeconomic indicators improved in 2004 and this trend is expected to continue in 2005, growth has been insufficient to reverse the increase in the decent work deficit in recent years.

Recent experience in Latin America and the Caribbean demonstrates that policies are needed to guide the functioning of markets to achieve priority objectives, such as decent work. Decent work is defined as productive, fairly-paid work exercised in conditions of freedom, equity, security and human dignity.

This feature article analyzes the economic and labour performance in Latin America and the Caribbean since the application of macroeconomic stabilization policies in the early 1990s and proposes a conceptual framework for integrated policies compatible with decent work as a key component of an agenda of growth and well-being. The policy proposals summarize ILO studies for the Employment Conference in the Southern Common Market (MERCOSUR, April 2004), the Employment Conference in the Andean Community (November 2004) and the Employment Forum in Central America (June 2005). The conceptual framework is centered around two main areas: (1) acceleration and sustainability of growth compatible with external balances, and (2) growth that is decent work-friendly. The first area seeks to increase competitiveness and profitability of traded goods and services as well as to promote exports and domestic production which competes with imports. The objective of the second area is to achieve greater integration of export growth with the domestic market to generate quality employment. These two areas are associated with policies at four levels: macroeconomic, mesoeconomic and microeconomic policies, as well as those targeting the labour market and reduction of inequalities.

This feature article has two sections. The first analyzes economic and labour performance during the period of reforms and the second proposes recommendations for integrated policies.

Economic and Labour Performance in Latin America and the Caribbean in an Era of Reforms

Since the early 1990s, the region has undergone profound changes from a development paradigm which focused on the domestic market to one that prioritized integration with the global economy. This process consisted of modifying economic and labour policy, as well as the productive structure. Economic policies focused on financial and trade liberalization as a mechanism to facilitate foreign capital flows, a reduction in government regulation of markets, the privatization of different public sectors or state property and access to new foreign markets. At the same time, labour policy reforms concentrated on reducing total labour costs through the flexibilization of work contracts and the simplification of and cost reductions in the dismissal process. Finally, changes in the productive structure took place through the expansion of the most dynamic sectors, which were those associated with foreign markets, as well as incentives to export service sectors (especially the financial sector), communications and trade, combined with the reduction of the least competitive areas of the economy.

Reforms were not uniformly adopted in the countries of the region. For example, a recent ILO study indicates that in the 1990s, four countries (Argentina, Costa Rica, Mexico and Peru) reoriented their macroeconomic policy; nevertheless, each country introduced quite different policy changes and adopted the reforms in different periods. Although all four countries adopted trade liberalization policies, labour market flexibilization was particularly important in Argentina and Peru. These two countries implemented intense processes of structural adjustment, trade liberalization, financial liberalization and labour market flexibilization almost simultaneously. In contrast, Costa Rica and Mexico applied more stable, gradual reforms, accompanied by policies to promote industrial and export activity, and successfully negotiated key international trade agreements and established mechanisms for building consensus among social actors.

Impact of Monetary, Fiscal and Exchange Rate Policies

Since the early 1990s, macroeconomic policies have primarily centred on controlling inflation and the fiscal deficit, as reflected in the design and application of exchange rate and monetary policies that favoured overvalued exchange rates and high interest rates. This led to increased costs associated with price stabilization and trade liberalization. In response to the growing volatility of foreign capital flows and fluctuations in terms of trade, most of the countries of the region have adopted flexible exchange rates, abandoning fixed exchange rate regimes and exchange rate bands. Although this change in exchange rate policy was necessary to enable the economies to operate more efficiently, it had a strong negative impact in countries that have experienced devaluations and that had high levels of public and private foreign debt.

Nonetheless, most of the countries of the region made important strides in controlling macroeconomic imbalances during the period. The public sector deficit was 2.4% of the GDP on average between 1995 and 2004 in Latin America and the Caribbean. Moreover, inflation decreased from 36.1% in 1995 to 6.5% in 2004. In 2004, only five countries had two-digit annual inflation and 20 countries had inflation rates of 5% or less. Nevertheless, this progress in controlling fiscal balances and inflation has not led to increased GDP growth or stable access to foreign capital. Neither has it produced a significant expansion in national savings and domestic investment. The main lesson of these results during the period of reforms is that macroeconomic stability is a necessary but insufficient condition for achieving higher economic growth and increased social well-being.

In some countries, macroeconomic policies became more pro-cyclical, for example, in the case of fiscal policies. During a recession, this approach accentuated the decline in the level of economic activity, creating a vicious cycle: the decrease in fiscal revenues led to a reduction in spending, which limited the level of economic activity and again produced a decline in income. Although this trend was not widespread, a reduction of the fiscal deficit was a key component of the structural adjustment programmes implemented in the region. Fiscal austerity in Latin America included a major cutback in public investment in infrastructure, which contributed to limiting economic expansion.

The average real exchange rate in Latin America and the Caribbean experienced a strong appreciation between 1995 and 1998, followed by a minor devaluation in 1999 and a two-year period of stability before undergoing a major devaluation in 2002 and 2003 and a slight devaluation in 2004 (Figure B.I). These general results hide significant differences among countries. A sharp devaluation in Argentina (particularly in 2002, due to the severe economic crisis) and Brazil (reflecting the uncertainty created by the elections and transition to the current government administration) was observed based on average indices for the periods 1995-1999 and 2000-2004. This trend was more moderate in Colombia, Chile, Paraguay, Peru and Uruguay. The exchange rate was more stable in Bolivia, Jamaica and the Central American countries with exchange rates closely linked to the dollar (except for Honduras, which experienced a significant appreciation), while local currency in Mexico and Venezuela appreciated significantly. Despite the minor devaluation of local currencies in 2004 in the region as a whole, there were sharp increases in the exchange rates in Brazil, Chile, Colombia and Paraguay. These trends reflect the current challenges for maintaining a stable, competitive real exchange rate that stimulates growth and investment in the traded goods and services sector.

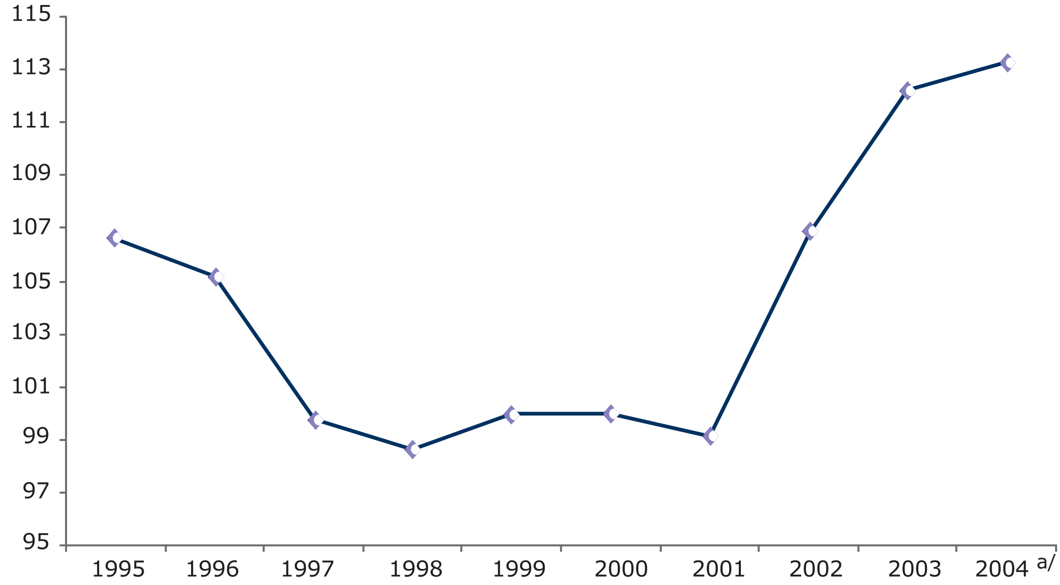
Since the early 1990s, regional exports have maintained a strong upward trend. Nevertheless, export growth was considerably slower than that of imports, leading to growing trade deficits, which, together with servicing the foreign debt and outflows of profits, generated a major deficit in the current account in the balance of payments. After two years of little or no growth, this trend was reversed in 2003-2004 as the region registered positive balances in the current account for the first time in 50 years.

The positive balances in the current account in the last two years have occurred in a context of economic growth, particularly in 2004, the year in which Latin America and the Caribbean achieved the highest GDP growth of the past quarter century. This situation reflects the strength of Latin American and Caribbean exports due to the favourable situation of global trade, low international interest rates and the devaluation of the real exchange rate in recent years. The current account in the balance of payments shifted from a deficit of 4.5% of GDP in 1998 to a surplus of 0.9% of GDP in 2004.

However, this healthy export performance did not lead to more and better quality employment. This was because most countries did not complement trade and financial liberalisation with efforts to increase the competitiveness of both export goods and services

FIGURE B.I

LATIN AMERICA AND THE CARIBBEAN: REAL EFFECTIVE EXCHANGE RATE INDICES, 1995-2004
(Index 2000=100, deflated by the Consumer Price Index (CPI)



Source: ILO based on Economic Commission for Latin America and the Caribbean (ECLAC) data.
a/ Preliminary.

intensive in technologies and skills linked to quality employment or with efforts to allow successful competition with imports in the domestic market. In general, most of the countries of the region participate in the less dynamic segments of international trade.

At the international level, growth in exports was fuelled by products intensive in processes and economies of scale, which use intermediate technology, and especially by goods intensive in knowledge and skills, which use high technology. This contrasts with export activity in the region. In 11 of the 18 countries analyzed, exports of primary products represented more than two-thirds of total exports between 1990 and 2003. The exception was Mexico, which nearly doubled its exports of manufactured goods during the period due to the effect of the *maquila* segment, and significantly reduced exports of primary goods, although most of the inputs used in the *maquila* industry are imported.

Indicators of External Vulnerability

Since the crisis of the 1980s, foreign debt has been a major concern in Latin America and the Caribbean, which is closely associated with growth and thus with quality employment and well-being. According to the Economic Commission for Latin America and the Caribbean (ECLAC), foreign debt in 30 countries of the region rose steadily in the 1990s, reaching US$ 751.9 billion in 2004. The relationship between total foreign debt and GDP among the countries of the region, which had improved after the crisis of the 1980s, worsened in the period 1995-2003, although it improved significantly in 2004 thanks to vigorous GDP growth. The strength of Latin American and Caribbean exports has produced a positive shift in the relationship between foreign debt and exports over the past 15 years. At the same time, the servicing of the debt, which includes amortizations and interest payments, rose sharply in the 1990s, reaching 41% of exports in 1999 but later declining to 29% in 2003 due to the favourable performance in the export sector.

Latin American and Caribbean countries have a higher level of external vulnerability than do the developing countries of Asia. In the period 1999-2003, the Latin American and Caribbean region registered an average deficit in the current account of 1.7%, expressed as a percentage of GDP, compared with a surplus of 2.5% for the developing countries of Asia. Foreign debt as a percentage of GDP was 40.7% in Latin America and the Caribbean and 29.2% in the developing countries of Asia (ECLAC and the International Monetary Fund-IMF). The first indicator reflects a greater dependence on foreign capital and the second the higher share of GDP associated with foreign debt in Latin America and the Caribbean as compared with developing Asia.

This situation varied significantly among countries, however. Table B.I shows that the foreign debt as a percentage of GDP was quite high in Argentina, Ecuador, Honduras and especially in Nicaragua. Only Costa Rica and Guatemala had a ratio below the regional average. Argentina, Brazil and Uruguay were the countries of Latin America requiring the largest volume of exports to pay the interest on their foreign debt (more than 1.5 times the regional average). The relationship between foreign debt and GDP in the Caribbean exceeded 50%, on average, but with considerable differences among countries.

Measured by the deficit in the current account, nine countries -Bolivia, Brazil, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama and Peru- required foreign financing of their economies which was 1.5 times higher than the regional average. The remittances sent by migrant workers to their countries of origin contributed to reducing this deficit.

Weak, Unstable Economic Growth is Reflected in Labour Market Performance

In general, the performance of countries of the region in terms of economic growth, expansion of employment (measured with respect to the population of working age) and the improvement in the quality of employment have been unsatisfactory during the past 15 years, which has contributed to the high rates of poverty and social inequality. Economic expansion was lacklustre, volatile and vulnerable to external shocks, which has contributed to an increase in the unemployment rate (reversed in part in 2004, a trend that is expected to continue in 2005), growth in informal sector employment and a decline in social protection.

Between 1990 and 2004, the GDP growth rate was a little more than half the rate recorded in the 1950s,

TABLE B.I

INDICATORS OF EXTERNAL VULNERABILITY

1999-2003 Average (Percentages)

Countries	Interests/ Exports	Foreign Debt/ Exports	Current Account/ GDP/	Foreign Debt/ GDP
Latin America	13.7	183.2	-1.8	40.7
Argentina	36.4	470.3	1.3	79.7
Bolivia	15.9	297.5	-3.8	56.6
Brazil	25.1	349.0	-2.8	44.9
Chile	6.7	166.7	-0.9	54.2
Colombia	17.2	253.6	-0.8	45.8
Costa Rica	4.0	43.7	-4.9	20.1
Dominican Republic	2.7	51.7	-2.0	23.2
Ecuador	18.1	258.8	0.2	85.3
El Salvador	9.5	95.0	-2.8	25.5
Guatemala	5.0	106.7	-5.3	19.6
Haiti	2.5	256.6	-1.8	35.6
Honduras	6.6	196.8	-4.2	77.7
Mexico	7.5	87.8	-2.5	25.5
Nicaragua	15.9	702.9	-23.6	227.6
Panama	16.5	79.1	-4.7	55.3
Paraguay	4.9	103.4	-0.8	43.5
Peru	18.3	320.0	-2.4	51.6
Uruguay	21.1	219.3	-0.9	46.7
Venezuela	9.6	119.6	6.5	31.3

Source: ILO based on Economic Commission for Latin America and the Caribbean (ECLAC) data.

1.5 times or more the Latin American average.
0.5 times or less the Latin American average.
Between 1.5 and 0.5 times the Latin American average.

1960s and 1970s. The GDP in Latin America had an annual growth of 2.6% on average between 1990 and 2004, a level that contrasts with the 4.9% registered in the period 1950-1960; 5.5% in 1960-1970; and 5.1% in 1970-1980, although it was higher than the level in 1980-1990, 1.6% (Table B.II). The differences in GDP per capita were also marked. This indicator increased 1.0% annually on average in the period 1990-2004, below the 2.2% registered in 1950-1960, 3.3% in 1960-1970 and 2.4% in 1970-1980. It only exceeded the -0.4% recorded in the period 1980-1990. In the 1990s, the economies of the region grew until 1997, whereas the five years that followed were known as the *lost half decade.* Economic recovery in 2003, 2004 and projected for 2005 is still insufficient to reverse the trend in terms of its impact on the labour market.

TABLE B.II

GDP GROWTH AND VOLATILITY IN SELECTED PERIODS

(Average annual rates)

	World		Latin America	
	Average rate	Standard deviation	Average rate	Standard deviation
1950 - 1980	4.6	1.49	5.5	1.70
1981 - 2003	2.8	1.05	2.1	2.17
1991 - 2003	2.5	0.87	2.5	1.93

Source: ILO based on *Productive Development in Open Economies*, ECLAC (2004).

Growth in the period was not only weak, but also volatile. The standard deviation of annual growth rates between 1981 and 2003 was higher than that registered between 1950 and 1980, and was double that of the global GDP rate in the same period. Although GDP growth was less volatile in the period 1991-2003 than it was in the 1980s, it was twice as volatile as the global GDP. Twenty-five countries of Latin America and the Caribbean experienced negative GDP growth at least once in the past 15 years and nine countries had four or more years of negative growth. This volatility is usually associated with an increase in unemployment, yielding a rise in poverty because lower-income sectors are the ones most affected by unemployment.

Volatile economic growth implies other important costs for countries. In the recessive phases of the economic cycle, certain resources are lost which may not be recoverable, such as the deterioration and/or underuse of tangible and intangible capital of firms and the human capital of unemployed and underemployed workers. It also affects investment decisions, stimulating defensive microeconomic strategies. Moreover, it has pernicious effects on investment and consequently, on the development of production and productivity trends. Gross investment as a proportion of GDP increased slightly between 1991 and 1997 but later fell to a level below that of the beginning of the decade (Table B.III), affecting growth and employment.

TABLE B.III

LATIN AMERICA: GROSS FIXED DOMESTIC INVESTMENT

(As percent of GDP – simple average)

Years	Latin America	Southeast Asia
1970 - 1979	18.8	24.6
1980 - 1989	17.4	28.4
1990 - 1999	19.9	31.1
2000 - 2003	20.0	22.5
1990 - 2003	19.9	29.1

Source: *Productive Development in Open Economies,* ECLAC (2004).

Furthermore, labour market problems were generated by different factors associated with the behaviour of labour supply and demand and the legal framework regulating the labour market. In the context of low economic growth in the region over the past 15 years and the implementation of labour market reforms (characterized by greater flexibility in contractual relations in some countries), the employment-to-population ratio registered more declines than increases whereas the labour force participation rate tended to increase. The latter is due to the increased attractiveness generated by the greater demand for employment, including precarious employment, and to the growing participation of women in the labour market, explained in part by the decline in fertility rates and women's higher educational levels. The result was that the growth in employment was insufficient to absorb the increase in the labour supply, for which reason the regional urban unemployment rate rose with fluctuations during the past 13 years to an unprecedented level (Figure B.II).

The ILO estimates that the urban unemployment rate in the region was 10.2% in 2004, the equivalent of 19 million unemployed individuals. Although this figure represents a modest decrease with respect to that of 2003 (11.1%), it is still above the rate recorded at the beginning of the 1990s, taking into account the methodological changes in the household surveys of Brazil (2002) and Argentina (2003). The incidence of unemployment was higher among youths than among adults and higher among women than among men.

In addition, real wages have increased (both minimum wages and manufacturing wages) since the early 1990s. Nevertheless, this increase did not counteract the decline in average real wages occurring in the 1980s, when several Latin American countries experienced hyperinflation.

Wage increases reflected a modest increase in labour productivity in the region during the 1990s, recovering from the decrease recorded in the 1980s. Thus, GDP per worker was similar to that of 1980, suggesting that progress in this area for the region was similar to that of more than 20 years ago. As stated in the 2004 edition of *Labour Overview*, labour productivity is one of the most important mechanisms for transferring economic growth to well-being since it is a basic source of wealth, as well as a key determinant of the living conditions of the population. In countries in which the average GDP per worker is more than US$ 10,000, poverty affects less than half of the population. In contrast, in most countries where the GDP per worker is below that average, poverty rates exceed 60%. Moreover, labour productivity is an essential component of international competitiveness and permits firms to avoid resorting to the defensive strategy of reducing total labour costs to gain or maintain markets.

The informal employment sector, which includes domestic workers, low-skilled workers employed in establishments with a maximum of five employees, self-employed workers (except professional, administrative and technical workers) and family workers, accounted for 47.4% of urban employment in Latin America in 2003, 4.6 percentage points higher than in 1990. As a proportion of the employed, more women than men work in this sector. Currently one of every two women employed works in the informal sector. Moreover, employment became increasingly precarious due to the decrease in social protection at work: wage and salaried workers with social protection coverage decreased from 66.6% in 1990 to 63.6% in 2003.

Comparing 2003 with 1990, the proportion of wage and salaried workers with social protection coverage declined in Latin America. In 2003, the percentage of wage and salaried workers in the formal employment sector with social security coverage (79.3%) was nearly triple that for workers in the informal employment sector (26.2%) in Latin America. The difference between these two sectors was especially high in four countries: nearly nine times as much in Nicaragua, seven times as much in Bolivia and Mexico and close to five times as much in Peru.

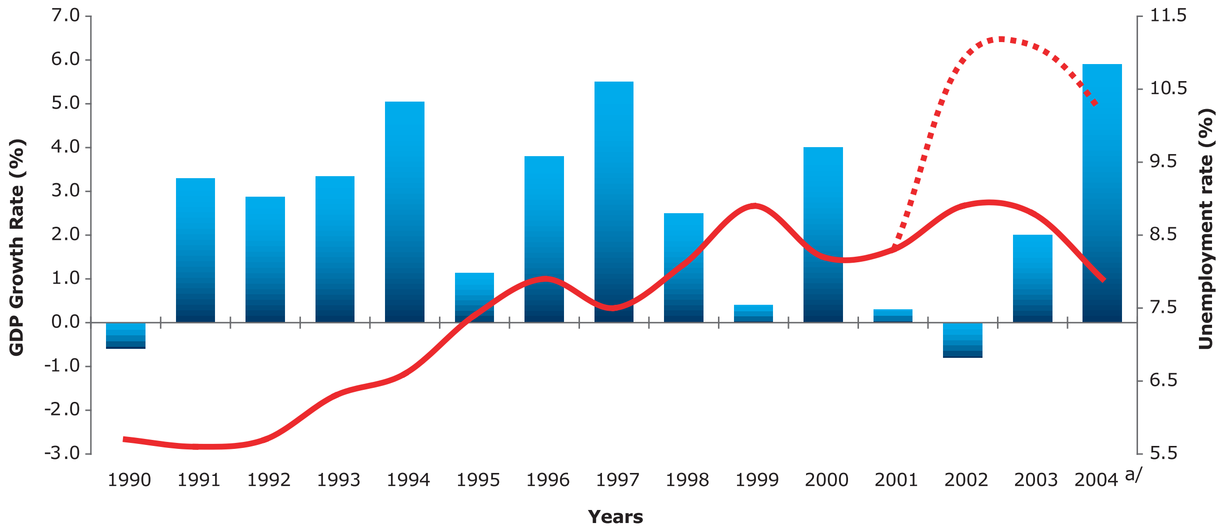
The countries with the highest levels of informal sector employment and the lowest levels of social security coverage (Bolivia, Ecuador, El Salvador, Honduras, Nicaragua and Paraguay) are the same countries that have the lowest GDP per worker. Nevertheless, they are often among those with the lowest unemployment rates in the region. This indicates that the employment of workers in low quality jobs is an alternative to unemployment, particularly in countries with a weak social protection system.

The worst problems occur in rural areas of the region, which are characterized by low productivity and insufficient wages. The agricultural and forestry sector has the highest incidence of violations of basic rights at work in the region, such as forced labour and child labour, and experiences serious and repeated violations of the right to freedom of association and to non-discrimination. This sector also is characterized by the high incidence of work-related accidents and occupational health hazards. In rural areas of several Latin American countries, indigenous peoples are subject to discrimination and have few employment opportunities.

In summary, there is a large decent work deficit in the region, which varies by country, geographical zone

FIGURE B.II

LATIN AMERICA AND THE CARIBBEAN
GDP GROWTH AND THE UNEMPLOYMENT RATE, 1990-2004
(Annual growth rates and percentages)



Source: ILO, based on household surveys of the countries and ECLAC

Note: The solid line designating the unemployment rate was calculated using the old Brazilian series whereas the dotted line (beginning in 2002) was based on the new series of Brazil and Argentina.
a/ Estimated.

and demographic characteristics (sex, age and ethnic group, among others).

The Lack of Decent Work is Associated with Poverty and Inequality

Given that wage income is the main source of income for satisfying the basic needs of the vast majority of families in the region, it is not surprising that the increase in unemployment and informal sector employment, as well as the low income registered in Latin America and the Caribbean, have exacerbated problems of inequality and poverty in the countries. This indicates that the lack of decent work has led to greater social exclusion.

According to ECLAC, in 2002, 44% of Latin Americans had an income below the poverty line (that is, less than double the cost of a basic food basket) and 19.4% had incomes below the extreme poverty line (income insufficient to cover the cost of a basic food basket). These percentages are lower than those recorded in 1990, but higher than those of 1980. The absolute number of poor people increased from 135.9 million in 1980 to 200.2 million in 1990 and to 221.4 million in 2002. The number of extremely poor rose from 62.4 million in 1980 to 93.4 million in 1990 to 97.4 million in 2002. Recent ECLAC forecasts indicate that the economic recovery led to a decrease in poverty in 2004, to 42.9% (222 million), as well as in extreme poverty, to 18.6% (96 million).

While most of the population of the region lives in urban areas, in relative terms, poverty continues to be an eminently rural problem. According to ECLAC, the percentage of poor people in urban areas of Latin America reached 38.4% in 2002, compared with 61.8% for rural zones, whereas 13.5% of urban dwellers lived in extreme poverty, a figure that nearly tripled (37.9%) among rural populations. The rural poor have few opportunities for productive employment in agricultural and non-agricultural activities, as well as poor organizational integration to effectively promote their interests. Rural poverty is also characterized by inadequate nutrition, poor health and deficient education, all of which are factors that negatively affect the well-being and labour productivity of the rural population.

Furthermore, the relationship between the income of the poorest households (decile 1) and the wealthiest ones (decile 10) has worsened in Latin America. On average, the income of the wealthiest households in the region was nearly 21 times that of the poorest households at the beginning of this century, up from nearly 19 times higher at the beginning of the 1990s. In 12 of the 19 countries of the region, this gap has widened, particularly in the Dominican Republic. That country, together with Brazil and Colombia have the greatest income disparity between the lowest and highest deciles. Mexico and Uruguay have a smaller gap in the income distribution of urban households, less than half the average for the region (Table B.IV).

Poverty reflects the inability of some population groups to generate a level of income sufficient to satisfy the basic needs of their households. This is largely the result of the existence of social segments that live in families with a high degree of demographic dependency, an absence of adequate social protection, low earnings of workers (which reflects lack of employment opportunities), low labour productivity and limited collective bargaining power. Income inequality depends on the degree of inequality among determinants of family income per capita (demographic differences between families, differences in employment access and earnings) as well as on the degree of concentration of wealth in a society.

In summary, the adoption of economic reforms and the flexibilization of the labour market in the early 1990s created expectations for overcoming the major macroeconomic imbalances occurring during the so-called *lost decade* of the 1980s and for stimulating competitiveness of private firms and opportunities for employment and well-being. Nevertheless, these measures failed to improve the socio-labour environment, as demonstrated by the unfavourable trends in unemployment, informal sector employment and consequently, poverty and inequality, despite their positive effect on fiscal balances and prices. In the section below, the ILO presents a conceptual framework with policy recommendations aimed at promoting decent work in Latin America and the Caribbean.

Toward a Decent Work Agenda

The results presented above confirm the urgent need to reform the policies applied in Latin America and the Caribbean in recent years in order to prioritize employment without sacrificing the advances made in increasing macroeconomic stability and trade liberalization. As economic growth strengthens in the region, the current challenge is to achieve **a sustainable increase in quality employment as a necessary condition for decent work**, which implies decent earnings, increased productivity and stability, access to social protection and possibilities for economic participation in the context of open economies.

TABLE B.IV

LATIN AMERICA (17 COUNTRIES): INCOME DISTRIBUTION OF URBAN HOUSEHOLDS

(Percentages)

Country	Decile 1		Decile 10		Decile 10/ Decile 1 a/	
	Circa 1990 b/	Circa 2000 c/	Circa 1990 b/	Circa 2000 c/	Circa 1990 b/	Circa 2000 c/
Argentina	2.3	1.8	34.8	40.7	15.1	22.6
Bolivia	0.7	1.7	38.2	38.4	54.6	22.6
Brazil	1.1	1.0	41.8	45.7	38.0	45.7
Chile	1.7	1.8	39.2	39.1	23.1	21.7
Colombia	0.9	0.8	41.3	39.1	45.9	48.9
Costa Rica	1.6	1.5	24.6	29.0	15.4	19.3
Dominican Republic	1.5	0.7	35.5	38.4	23.7	54.9
Ecuador	2.1	1.8	30.5	34.3	14.5	19.1
El Salvador	2.1	1.8	31.7	30.8	15.1	17.1
Guatemala	1.7	1.6	37.1	36.7	21.8	22.9
Honduras	1.5	1.5	38.9	36.8	25.9	24.5
Mexico	3.2	3.1	25.8	31.2	8.1	10.1
Nicaragua	0.7	1.4	36.5	41.4	52.1	29.6
Panama	1.1	1.4	34.2	32.7	31.1	23.4
Paraguay	2.2	1.7	31.8	33.1	14.5	19.5
Uruguay	3.5	3.7	31.2	27.3	8.9	7.4
Venezuela	2.0	1.2	28.4	31.3	14.2	26.1
Latin America	1.8	1.7	34.2	35.6	19.4	21.3

Source: ILO, based on *Statistical Yearbook for Latin America and the Caribbean*, 2004, ECLAC (2005).

a/ Decile 1 corresponds to the poorest households and decile 10 to the wealthiest households; the last two columns refer to the ratio between decile 10 and decile 1.

b/ Argentina, Brazil, Chile, Costa Rica, Ecuador, Guatemala, Honduras, Uruguay and Venezuela correspond to 1990; Bolivia (1989); Colombia (1980); the Dominican Republic (1997); El Salvador (1995); Mexico (1984); Nicaragua (1993); Panama (1991) and Paraguay (1986).

c/ Argentina, Bolivia, Colombia, Costa Rica, Dominican Republic, Ecuador, Guatemala, Honduras, Mexico, Panama, Uruguay and Venezuela correspond to 2002; Brazil, El Salvador, Nicaragua and Paraguay correspond to 2001; Chile to 2003.

This means that economic agents and countries must continue their efforts to improve competitiveness by increasing total factor productivity, which permits reducing total unit costs and increasing profitability of investment without sacrificing real wages. A **competitiveness policy** is essential for overcoming obstacles to quality employment in the long term.

The adoption of a decent work agenda by the countries of the region requires a strategic framework of integrated economic and social policies designed to reduce external vulnerability by systematically improving the structural competitiveness of the economy, with positive effects on private investment, economic growth and the generation of quality employment. To this end, a set of macroeconomic, mesoeconomic and microeconomic policy recommendations to generate quality employment is presented below. The idea is not to propose one-size-fits-all policies for the countries, but rather to provide a framework with recommendations that can serve as the basis for designing specific national policies.

In this proposal, the labour market plays a key role in that it serves as a transfer mechanism through which economic growth and productive development generate increased social well-being and reduce poverty and inequality. For this reason, it is important to analyze the role of employment and labour market policies with a view to improving how they function in the context of economic policies at the three levels mentioned, in support of a model of sustained growth with the generation of decent work.

Strategy of Growth with Quality Employment

The policies adopted to achieve macroeconomic stability in the region did not produce the expected results in terms of sustained economic growth and the generation of more and better employment. Moreover, labour market flexibilization and non-compliance with labour standards contributed to aggravating the decent work deficit. These results suggest that productive response within a legal framework consistent with fundamental rights at work is necessary to remedy this situation and generate positive effects on economic growth, the generation of quality employment and income distribution through incentives for stimulating demand, investment and the creation and strengthening of firms.

If policies stress macroeconomic stability primarily based on controlling inflation and the fiscal deficit, the generation of employment and earnings are usually treated as "adjustment variables" given short-term macroeconomic objectives. For this reason, when countries implement an anti-poverty agenda in a context of open economies, they should assume the commitment to generate decent work for everyone and promote sustainable long-term growth.

The promotion of decent work is a fundamental objective of a long-term development agenda. ILO Convention 122 on employment policy (1964) offers solid economic and social bases to advance toward this goal. A strategy of long-term growth with employment guided by this convention includes several basic components of decent work: full employment of the labour force, fairly paid employment which is productive and freely chosen.

A policy of quality employment, particularly over the long term, should also address economic growth and the obstacles faced in open economies. Likewise, it is necessary to discuss how to promote the investments required for growth in a context of few domestic sources of long-term financing.

In the search for responses to this situation, the ILO carried out studies for sub-regional employment conferences and fora, which led to the development of a strategic approach to integrated policies capable of stimulating long-term economic growth with the generation of quality employment compatible with external balances. This approach stresses increasing investment in traded goods and services as a means for overcoming external constraints to growth, stimulating aggregate demand and promoting increases in employment and income.

To accelerate the generation of quality employment, strong economic growth is essential. To achieve this in the medium and long term requires a **sustained increase in private and public investment**. Countries, particularly less developed ones, should promote activities intensive in knowledge and skills and stimulate value-added production of natural-resource intensive goods and services to achieve a **more dynamic entry into the global economy**. This means shifting from an economic model of comparative advantages, intensive in natural resources and low-cost labour to one which favours competitive advantages based on innovations and skills, with higher output of value-added products intensive in raw materials in a context of environmental sustainability.

As a result, investment should accelerate, particularly in traded goods and services -those exposed to international competition- to promote growth consistent with the global economy. The productive structure should concentrate on activities of growing global demand that require higher value added per resource unit, in other words, an increased level of total productivity.

In order for increased productivity to stimulate the rest of the economy, competitiveness, investment and quality employment, countries should promote the specialization of exports in labour-intensive, value-added goods and services that permit links with domestic producers, including small and medium-sized firms, in order to create a multiplier effect in production and employment. Value chains should be strengthened through modern trade and industrial policies that facilitate the integration of firms with world markets.

The emphasis on the export strategy and in general on investment in tradable goods and services does not mean that the development of the domestic sector (non-tradable) is unimportant. Production for the domestic market and the components of aggregate demand associated with consumption are not only fundamental for increasing domestic investment potential and thereby accelerating and sustaining economic growth, but especially for generating sufficient quality employment to overcome the decent work deficit in the region.

More investment in traded goods and services implies special emphasis in two policy groups: (i) those permitting increased competitiveness and profitability of investment; and (ii) those contributing to expanding exports and domestic production which competes with imports. In other words, increasing the pace of this type of investment requires sufficient profitability to accelerate this process and expand destination markets. Therefore, a crucial ingredient of any growth strategy designed to stimulate investment in traded goods and services is the application of policies that increase **profitability and demand for traded goods and services**.

The first group of policies includes the following: (i) macroeconomic policies that stimulate productive development, with an emphasis on a stable, competitive real exchange rate; (ii) policies that affect the economic environment and facilitate investment decisions, for example, productive infrastructure and its regulatory framework, development of the financial system and the capital market, a stable legal and justice environment and fiscal incentives for investment; (iii) policies that improve total factor productivity such as technological innovations, improve access and quality of basic education and vocational training, support the integration and development of small firms and microenterprises, and ensure the compatibility of institution building associated with labour competitiveness; and (iv) specific policies that strengthen and expand production networks, chains and clusters and improve their competitiveness and integration, increase their density and expand their production and investment in traded goods and services.

The second group includes policies aimed at promoting exports, strengthening regional economic integration and negotiating trade agreements that respect labour standards with different countries and regions of the world. Again, a stable, competitive exchange rate in real terms is needed, as are specific policies for production networks to facilitate the integration of domestic firms with the external sector.

The increase in investment, promotion of exports, increased competitiveness of domestic production with imports and the strengthening of regional integration stimulate demand and consequently accelerate economic growth. To the extent that this process will generate more employment and raise wages, investment decisions in non-traded goods and services -those without links to external markets- also will increase. This will lead to sustainable growth of investment in the medium term, especially private investment, thereby laying the groundwork for more rapid generation of quality employment.

Labour market policies designed to create quality employment, promote social inclusion programmes and reduce inequalities play a key role because they contribute to increasing aggregate demand and investment in the non-trade sector. Active employment policies and policies that link the productive activities of traditional and informal segments to the formal segments characterized by higher growth, as well as social policies, complement the strategic approach of accelerating investment in the traded goods and services sector because they are essential for expanding and maintaining domestic demand (by expanding domestic investment potential). This is especially true in countries with a large domestic market and a relatively lesser degree of trade liberalization (Argentina, Brazil and Colombia, for example).

In summary, Latin America and Caribbean economies face the challenge of increasing investment in activities exposed to global competition to improve their entry into the global economy and reconcile export growth with productive development in more labour-intensive sectors(for example, services and agriculture), while strengthening the domestic market. The goal, then, is to achieve stronger economic growth that is decent-work friendly. Table B.V summarizes the integrated policies of the strategy of growth with quality employment.

Policy Recommendations

The policy recommendations presented below are structured at the macroeconomic, mesoeconomic and microeconomic levels, as well as a fourth level targeting the labour market and the reduction of

TABLE B.V

STRATEGY OF GROWTH WITH CREATION OF QUALITY EMPLOYMENT: THE ILO APPROACH
(Policy matrix)

<table>
<tr><th rowspan="2">Target Areas</th><th rowspan="2">Vectors</th><th colspan="4">Policy Areas</th></tr>
<tr><th>Macroeconomic policies</th><th>Mesoeconomic policies</th><th>Microeconomic policies (raise total productivity)</th><th>Policies targeting the labour market and the reduction of inequalities</th></tr>
<tr><td rowspan="8">Acceleration and sustainability of growth compatible with external balance</td><td rowspan="5">Competitiveness and profitability in traded goods and services</td><td rowspan="4"></td><td>Development of productive infrastructure</td><td colspan="2">Basic education and vocational and professional training</td></tr>
<tr><td>Strengthening of the financial system and investment instruments</td><td>Technological innovation</td><td></td></tr>
<tr><td>More legal stability and efficiency and institutional transparency</td><td colspan="2">Labour institution building and development of negotiation model</td></tr>
<tr><td>Fiscal incentives for investment</td><td>Modernization of business strategies</td><td></td></tr>
<tr><td>Macroeconomic policies to support productive development</td><td rowspan="2">Development of clusters and productive networks</td><td colspan="2" rowspan="2">Association, productivity and development of small firms and microenterprises and the agricultural sector</td></tr>
<tr><td rowspan="3">Promotion of exports and domestic production competitive with imports</td><td>Competitive, stable exchange rate in real terms</td></tr>
<tr><td rowspan="2"></td><td>Policy to promote exports and tourism</td><td rowspan="2"></td><td rowspan="2"></td></tr>
<tr><td>Policy to strengthen integration and trade agreements</td></tr>
<tr><td rowspan="6">Decent work-friendly growth</td><td rowspan="6">Increased integration of export growth with the domestic consumer market for the generation of more and better jobs, reduction of poverty and inequality</td><td rowspan="3">Fiscal measures to support lagging, low productivity segments of the non-trade sector (some services and agriculture)</td><td>Development of clusters and productive networks</td><td colspan="2">Association, productivity and development of small firms and microenterprises and the agricultural sector</td></tr>
<tr><td rowspan="2">Policies to develop the service and rural sectors</td><td rowspan="5"></td><td>Public employment, education and training services</td></tr>
<tr><td rowspan="2">General wage policy and minimum wage policy</td></tr>
<tr><td rowspan="3">Fiscal stabilization funds (countercyclical) mainly targeting for programmes to reduce unemployment and poverty</td><td rowspan="3">Strengthening of the financial system and investment instruments in the non-trade sector</td></tr>
<tr><td>Policies targeting informal segments and associative firms</td></tr>
<tr><td>Policies to expand and strengthen social protection</td></tr>
</table>

Source: ILO.

inequalities. Whereas this approach prioritizes the export strategy and investment in the traded goods and services sector in general due to the positive impact of the sector on macroeconomic stability and its future sustainability, it is also essential to strengthen the domestic market to stimulate aggregate demand by expanding domestic investment potential. In small economies, this potential -associated with the possibilities for investment and determined by the size of the domestic market- can be expanded through regional integration processes.

Macroeconomic Policies

Macroeconomic policy should promote a growth strategy with monetary and financial stability designed to generate more and better jobs. Moreover, to stimulate productive development in the context of open economies of the region, macroeconomic policies -fiscal, monetary and exchange rate- should support measures to attenuate the negative effects of economic cycles. Excessive indebtedness of public and private agents and imbalances in key relative prices (exchange rates and interest rates) should be avoided during the expansion phase because they may lead to excessive adjustments in the recessive phase of the economic cycle.

Fiscal policy should concentrate on attaining a structural balance of public finances that contributes to strengthening the savings capacity in order to enhance the ability to take countercyclical action. Funds to stabilize public revenues (income from taxes and raw material exports) are essential to a countercyclical policy approach. In Argentina, in response to the serious social situation caused by the economic crisis at the start of this century, a countercyclical instrument in the form of an export tax was used to finance an emergency employment programme, which benefited nearly 2.2 million at its height.

Continual fluctuations in economic growth contribute to increasing uncertainty and negatively affect investment decisions. To deal with these fluctuations, a part of the increased tax revenue (the additional tax income from accelerated growth) should be allocated for the gradual establishment of a fiscal stabilization fund to permit increased public savings during periods of expansion and increased fiscal spending in periods of slow growth. During periods of economic contraction, programmes to reduce poverty and unemployment should have priority access to these funds. Likewise, fiscal measures should be developed to support lagging, low-productivity segments of the non-trade sector, such as some services and agriculture.

In keeping with this approach, public investment projects should be evaluated and implemented taking into account not only their short-term impact on the fiscal balance but also their long-term social and economic costs and benefits, particularly with respect to the generation of quality employment. Criteria also should be established for fiscal spending targets linked to structural indicators such as potential GDP, which would mitigate the effects of cyclical fluctuations in the programming and implementation of such spending.

Monetary policy should seek to prevent short-term spikes in external financing from becoming sharp increases of external and internal credit and to prevent capital inflows from distorting the exchange rate and interest rates compatible with internal and external balances. Instruments should be developed for the prudent management of capital flows, making monetary policy more effective and with fewer constraints for influencing the interest rate and promoting policies to improve the public and private debt profile, both domestic and external.

Likewise, this approach requires an active *exchange rate policy* that responds mainly to changes in relative productivity and, to a lesser extent, to the cyclical movement of capital flows. Intermediate exchange rate policies of managed flexibility are a more attractive alternative given that they reconcile flexibility and stability.

It is essential to have a stable, competitive exchange rate in real terms in order to generate profitability in traded goods and services, in keeping with the need to increase private investment in this sector. To achieve this intermediate objective requires consistency and coordination among monetary, fiscal and exchange rate policies. This type of exchange rate requires a monetary policy that controls inflation and permits the net purchase of foreign exchange, as well as a reduced deficit and fiscal debt, in other words, a prudent fiscal policy. In addition, instruments to regulate short-term capital inflows are needed to prevent their inherent volatility from negatively affecting the exchange rate.

The exchange rate mechanism is essential for expanding growth in traded goods and services and increasing employment. This is due to its expansive effect on profitability and investment growth, exports and import substitution; the reduction of imports and increased use of domestic resources – increase of employment-GDP elasticity – as well as to its ability to attenuate the impact of external shocks on domestic employment. Costa Rica (1980-1990) is one example of a successful experience in the region in terms of the use of a competitive exchange rate in real terms complemented by policies to improve competitiveness and stimulate investment decisions in traded goods and services.

In countries where it is not feasible to adopt a competitive, stable exchange rate in real terms, whether because the economies are dollarized or have a high degree of dollarization and public and private debts in foreign currency, the following measures are recommended: (i) move gradually toward this objective through periodic mini devaluations in real terms; (ii) adopt measures to de-dollarize the economy and generate the necessary margins to allow its implementation; (iii) implement measures to increase the profitability of traded goods and services to replace the effect of a devaluation in real terms and promote the adoption of innovations through fiscal credit, and (iv) raise microeconomic productivity and reduce transaction costs through investments in infrastructure.

Ongoing efforts should be made to ensure a domestic savings rate that contributes to the potential for domestic investment without leading to inflationary pressures or external imbalances. Increasing domestic savings is indispensable for increasing investment and achieving sustained GDP growth and therefore, quality employment. The reinvestment of business profits and the promotion of household savings through forced mechanisms -for social security, education, housing and health- are appropriate ways to increase private savings, which, together with public savings, enhance possibilities for domestic financing of productive investments.

Mesoeconomic Policies

Mesoeconomic policies serve to improve the investment climate and increase aggregate demand, particularly in the traded goods and services sector. These include policies targeting production networks; export promotion; the strengthening of integration and trade agreements; generation of public investment incentives; development of a stable legal framework, financial system and capital market; and development of the productive infrastructure, service sector and social services.

a) Development of Clusters and Productive Networks

Policies designed to develop production clusters, networks or chains are crucial for strengthening microeconomic competitiveness and for the associated increase in private investment and employment.

Clusters represent an economic entity which markets services and resources that individual firms could not market on their own. The production network or chain is an economic entity which develops unique strengths and exchanges goods and/or services and is composed of one or more core firms, their suppliers and clients. Their internal relations take place through formal or informal agreements or contracts specifying financial conditions and prices, including exchanges -tangible and intangible- of information flows, production experiences, knowledge and strategies compatible with future development. This facilitates coordination and permits increased specialization and division of activities, transforming the production network or chain into a real opportunity for generating comparative advantages.

The policies proposed to target networks have four key aspects: (i) provide more government support for the private sector in segments that promote increased economic growth with social responsibility and the generation of quality employment (here the effect of encouraging the integration of small businesses in processes involving higher productivity firms is important); (ii) apply specific policies targeting core firms of each network to have an impact through them on the other member firms; (iii) increase the effectiveness of these policies through increased support to production networks where traded goods and services are produced and within these networks, to those that produce advanced technology goods and services or that add value to goods and services; and (iv) promote and improve links among small firms in networks.

In addition, the policy recommendations regarding production clusters, networks or chains include the following: (i) increase national integration along the chain and strengthen ties among agents of the cluster or chain and with the territorial systems where they operate; (ii) increase the complexity and density of the networks in terms of acquired endogenous expertise, as well as strengthen their entry into the global market to generate competitive pressure that pushes them toward continuous innovative processes.

By implementing these policies, new jobs are generated through the major expansion of production and markets, particularly external ones, resulting from the increase in total productivity from network activity, which is associated with the innovation of products and processes as well as improvements in quality. The capacity of a country to generate sustainable quality employment is closely related to the quality of its production networks, the degree of integration of its components with local development, its entry into external markets with high value-added products or services and the strength of its domestic ties.

b) Promotion of Exports and Tourism, and Strengthening of Integration and Trade Agreements

One consequence of increased productivity is the expansion of GDP in the traded goods and services sector to the extent that demand increases in the sector. For this reason, the proposed approach underscores the importance of implementing policies that promote domestic production competitive with imports and increase exports. In the context of a competitive, stable exchange rate in real terms, production at the local level is essential for the generation of employment. It is even more crucial if regional integration processes facilitate access to an expanded market.

The dissemination of quality product and process standards defined by foreign markets is essential for promoting exports. In this regard, social responsibility in the business sector should be promoted in the framework of good labour practices and respect for fundamental labour rights. Equally relevant is the reduction of transactional costs of exports. The key priority should be concessions to the private sector, if necessary, for the efficient management of the system of ports, airports, highways, access routes and telecommunications as well as of an effective, efficient customs structure, among other measures. There is also considerable room for improvement of current provisions and practices in pre- and post shipping credit, insurance and deposits necessary for export activity.

There is consensus regarding the importance of promoting tourism in the region, especially in the case of Caribbean countries. This implies better marketing abroad and implementing a joint public and private effort to improve domestic conditions and achieve increased tourist flows (wholesale packages, safety, infrastructure, transportation, communication and supply diversification).

In addition, coordination of economic policies and strengthening of regional institutions (economic blocs) to stimulate timely activities with global trends are relevant for promoting exports and domestic production competitive with imports. Mechanisms, processes and institutions should be developed to improve overall competitiveness and support regional production networks linking firms of different countries of a bloc, which promote solid integration and foster a continuous process of raising investment necessary for the generation of new quality employment.

The negotiation of trade agreements and the search for new foreign markets contribute to the expansion of exports and attract investments, resulting in increased productive capacity and the accelerated creation of quality employment. It is essential to incorporate specific agreements in these processes that acknowledge respect for labour standards, including fundamental rights at work and the rights of migrant workers.

Over the past 15 years, the countries of the region experiencing the highest growth –Chile, Costa Rica and Mexico—were those that most expanded exports and achieved higher levels of trade liberalization. The economies linked to the global economy and regional integration processes should explore entry strategies that offer the best possibilities for placing their products abroad. According to ECLAC, in 2004, almost two-thirds of regional exports were generated in the context of different types of preferential trade agreements. Mexico (more than 95% of its export activity takes place within extra-regional multilateral agreements) and Chile (close to 70% of its exports are covered by preferential agreements) are particularly noteworthy in this regard. In order for increased exports to invigorate a process of sustained economic development, it is necessary to have a continuous flow of innovations that promotes synergies with the rest of the economic system. By forming into clusters and networks targeting external markets, small firms can play a decisive role toward developing of their specialized activities and creating more employment.

Finally, the following policies are recommended for strengthening regional integration: (i) progress in the coordination of economic policies -particularly macroeconomic policy-between member countries of each regional bloc; (ii) create platforms to negotiate trade agreements in blocs that strengthen platforms of members countries; (iii) support business competitiveness through quality and productivity programmes, dissemination of technologies, training of entrepreneurs, strengthening and creating regional production clusters and networks, supporting the creation of bi-national firms, strengthening horizontal associations among countries of a regional bloc and providing assistance for the upgrade of firms; and (iv) establish a regional platform for prospecting, identifying and disseminating technologies and knowledge among countries of each bloc and their production networks, as well as support technical, management and employment training.

c) Legal Framework, Fiscal Incentives for Investment and Productive Infrastructure

Legal stability and institutional efficiency and transparency are necessary to create a favourable investment environment. To achieve such an environment requires agreeing on stable regulatory frameworks based as much as possible on dialogue with economic and social actors in order to convey the greatest possible social legitimacy. It also involves developing a culture of punishing infractions in civil society and monitoring of the behaviour of institutions, including those of the justice system.

Another group of policies includes different types of fiscal incentives for investment. An example is the accelerated depreciation of acquired assets and fiscal credits for a proportion of investment in productive assets. Governments also could issue incentives to encourage foreign investors to work with domestic firms (of all sizes), promote the modernization of the production chain and invest in human capital development.

The development of productive infrastructure is essential for gradually establishing a strategy that prioritizes exports and regional integration. Promoting exports and strengthening integration requires a significant improvement in productive infrastructure (ports, airports, highways, energy and communications). In order to significantly improve infrastructure in Andean countries, these countries would have to invest an additional 1% to 4% of their GDPs over a 10-year period. In MERCOSUR countries, this effort would require at least 1% of GDP of the bloc over a six-year period.

According to ECLAC, in order to achieve 3% annual GDP growth for 10 years (between 2000 and 2010), Latin America must invest nearly US$ 70 billion in infrastructure during the period, representing 3.0% of GDP on average annually. Of this amount, 80% should be earmarked for new investments whereas the remaining 20% should be used for replacement and maintenance, with energy, electric power and highways being the sectors demanding the most resources.

This additional investment also will depend on the concessions granted to the private sector through calls for bids, as well as through the development of a stable regulatory framework. Public financing requirements are also significant, especially in the electric power, transportation and water and sanitation sectors. For this reason, public and private entities must join forces to address the investment needs in infrastructure.

The ILO proposes the following policy recommendations for the development of infrastructure: (i) promote the expansion and improvement of productive infrastructure, largely through bid concessions to the private sector and different forms of public and private association; (ii) create a stable regulatory framework and improve existing regulatory mechanisms (regulatory agencies need to improve their capacity for negotiation and establish rates for infrastructure services, which involves improving methods to determine investment and operating costs, as well as establishing mechanisms and criteria to set and renegotiate rates); (iii) strengthen the management and financial capacity of the public sector, providing it with instruments that enable greater flexibility in the management of public investment, particularly in the area of infrastructure (use of specific taxes for initiatives in this sector, for example, imposing a tax on hydrocarbons to finance road projects; greater budget flexibility, in order to differentiate treatment of capital and current outlays, which prevents cutbacks in public investment for projects whose rates of return are higher than investment costs; target fiscal control around the concept of inter-temporal solvency rather than deficit); and (iv) increasingly promote investment programmes and projects that maximize the generation of quality employment in the short term; strengthen productivity and competitiveness in the medium and long term; favour integration, regional unity and social cohesion within countries; and facilitate integration and unity among the countries of each bloc.

The impact of infrastructure investment on the generation of quality employment is first observed in the reduction of transaction costs and total unit costs, which increases profitability and stimulates decisions for private investment in production. It also is apparent in the direct and indirect effect on the increase in employment.

d) Development of the Financial System and Capital Market

The reorientation of productive resources toward activities in traded goods and services requires a solid financial system, as well as a fluid, low-cost capital market. Moreover, the financial system should be strengthened to reduce its vulnerability.

In addition, it requires the strengthening of institutional channels and instruments of joint ventures and risk capital, which are both essential for sustaining investments in productive assets and technologies. Small firms also should have increased access to financing, particularly firms associated with production networks, clusters or chains.

The credit market currently targets large firms, while small firms and microenterprises (which employ a large percentage of the labour force) are largely ignored. The remittances of migrants, which currently represent a key source of financing in the region, could be better integrated into the financial system of the receiving countries to stimulate domestic investment and the development of the domestic market.

e) Development of the Service Sector

The share of services in employment has increased sharply over the past 15 years. It is a very heterogeneous sector that covers a broad spectrum of occupational skills from highly skilled workers in the financial and business service sectors to semi-skilled and unskilled workers in the construction and domestic service sectors. Therefore, several policy options exist to support this sector, ranging from the development of trade to the improvement in working conditions in services requiring less-skilled workers. The question here is how to promote growth and modernize services to maximize the positive impact on quality employment. The recent European experience of opening the service sector to external competition (air, train and road transport, telecommunications and others) should be evaluated to identify virtues and defects as well as possibilities for adaptation.

A service sector policy should foster an environment conducive to investment in this sector through changes in business standards to address the specific needs of the sector, improve sector information through market studies, promote training to improve qualifications, support service firm clusters and develop research centres, among other measures.

f) Development of the Rural and Agriculture-forestry Sector

In rural areas and the agriculture-forestry sector, the lack of employment and the important decent work deficit are of particular concern. To address this situation, the ILO proposes a strategy based on growth of the agricultural sector linked to high value-added agribusiness exports that are environmentally sustainable and with attributes that reflect social responsibility. This strategy should be accompanied by investment in research and development of new products, technologies and organizational forms for the sector (for example, the application of good practices in the organization and administration of cooperatives of small producers), thereby contributing to increased productivity and competitiveness in the sector, with positive effects on quality employment.

Non-agricultural economic activities in rural areas that are associated with quality employment should also be promoted. For example, agro ecotourism could be promoted, which has the potential to stimulate conservation of natural areas as well as the production of traditional crops and exotic animals that attract tourists, increasing opportunities for quality employment. If applicable, these activities should directly benefit indigenous communities whose culture is threatened and who face an enormous decent work deficit.

The strategy of corporate social responsibility should also promote the respect for and application of fundamental rights of agricultural and forestry workers, as well as foster the adoption and application of other ILO international conventions associated with this sector, such as Convention 184 on safety and health in agriculture (2001). To maximize impact, these efforts should be accompanied by a campaign to raise consumer awareness (both in the producing countries and in export markets) with respect to good labour practices in agricultural-forestry production as well as the development and application of international standards for the certification of good labour practices and the sustainable use of resources in the production chain.

Microeconomic Policies

Among recommended measures affecting profitability are microeconomic policies geared toward increasing total factor productivity including: (i) access to technological innovations and their dissemination; (ii) improved access to and quality of basic education and employment training; (iii) promotion of labour institutions and development of the negotiation model; (iv) support the integration of small firms and microenterprises with production networks; and (v) dissemination of strategies to increase productivity and quality employment in medium-sized and small firms.

Such policies contribute to reducing total unit costs and to expanding the potential for quality improvements of the product, which raises the investment profitability rate and contributes to fostering the country's competitiveness. Therefore, the strategies of countries to gain competitiveness should not rely on reducing absolute or total labour costs, an alternative that produces only short-term results. A more sustainable option over the long term is to differentiate output and production forms. This requires skilled labour, methods of work organization that promote creativity and a socioeconomic environment capable of promoting innovation. At the same time, an increase in productivity usually is accompanied by wage increases in the medium and long term, without affecting the competitiveness of the firm.

a) Policies to Strengthen Technological Adoption

The adoption of technologies is essential for achieving systematic progress in productivity and developing a more solid business structure with new processes that provide greater added value per resource unit, and with the growing share of goods and services that are intensive in knowledge and innovation. Science, technology and innovation are key factors for economic growth, competitiveness and quality of life.

Data from the Office of Education, Science and Technology of the Organization of American States (OAS) indicate that industrialized countries invest between 2% and 3% of GDP in research and development whereas countries of Latin America and the Caribbean invest only 0.5% of GDP on average. The total investment made by the region as a whole in research and development is equal to that of South Korea, representing 1.6% of the world total. The disparity between the region and industrialized nations is growing, as it is between Latin American countries. Argentina, Brazil, Chile and Mexico made 85% of the total investments in research and development in the region between 1990 and 2002. Only Brazil spent amounts comparable to those of more developed countries (for example, in absolute terms, the country's investment in research and development was greater than that of Australia and Spain).

Together with credit availability, incentives are essential to stimulate innovation. In this context, the World Trade Organization (WTO) accepts the granting of subsidies.

Despite the significant efforts and major progress made in the past 50 years, the countries of Latin America and the Caribbean have not developed dynamic national systems for innovation. A current challenge is the gradual development of these systems on solid foundations. The main goal in this area is to overcome the weaknesses existing in: (i) science and technology entities, specialized human resource training institutes and centres for innovation and dissemination of new technologies, and (ii) the relationship between the business system and entities devoted to generating knowledge and technology and to creating or adapting innovations and disseminating them. To contribute to these objectives, the ILO recommends the following:

- Increase the development of innovations in certain activities that promote exports and increase domestic production competitive with imports, particularly those that support the production of advanced technology goods and services that are intensive in natural resources and compatible with good environmental management, incorporating successive processing stages that increase their added value;
- Contribute to horizontal policies of innovation and access to science and technology, selective and vertical policies to support some undertakings considered essential for their impact on the production of advanced technology goods and services and products intensive in natural resources with further processing phases, or facilitate the relationship between innovation centres and groups of business users of these activities;
- Link support of innovations to production networks, clusters or chains to improve technology in leading or core firms, as well as their dissemination to other firms to benefit small establishments and microenterprises.
- Expand and reinforce training in basic sciences and engineering due to their importance in the development of a national system of innovation.

In addition, in the segment of small and medium-size firms, the following is required: (i) access to funding for the adoption of innovations; (ii) promotion of projects that link innovative development in centres of excellence with associative groups of small business users; and (iii) transmission of innovations through the sub-contracting of large and small firms in production networks.

b) Improving the Quality of Basic Education and Training

Among the factors determining the increase in total productivity, an increasing availability of skilled labour is essential for assimilating innovations. In order to increase productivity, it is necessary to improve the quality of education. This is associated with behaviours, knowledge, attitudes, practices and disciplines that contribute to strengthening a willingness to "learn to learn." It is also associated with continuous quality improvement and training of educators and progress in their performance.

It takes time to achieve an increase in productivity through better quality basic education. To make more rapid strides in processes and skills in the productive system, professional training systems should be strengthened simultaneously. The goal is to update and coordinate efforts of the public and private sectors and promote a regulated market of training and education services to eventually offer them to society as a whole.

To promote equal opportunity and reduce segmentation and income disparities in the labour market requires an approach of greater equality of access to education and employment training services.

Another key aspect concerns evaluation systems, their transparency and pertinence, quality and adaptation to training institutes' demand for skills. This includes skills-based training, the effective decentralization of these institutions, together with incentives for on-the-job training. Equally important is training for small business owners in management as regards productivity, quality and marketing.

In summary, to improve the quality of basic education and training, the following is needed: (i) promote reforms in education systems in an effort to improve the quality of education at all levels, updating its contents with respect to technological and labour market trends, as well as promoting the capacity and willingness to "learn to learn;" (ii) establish a national regulatory framework to facilitate access to resources on the part of public and private entities and promote demand for and development of the supply of training services, as well as systems to assess the quality and pertinence of training institutes and the dissemination of their results; (iii) expand skills-based training and its certification, as well as the effective decentralization of training policy and facilities, and incentives for ongoing on-the-job training; (iv) create fiscal credit systems as incentives for investment in training by firms; and (v) foster programmes to facilitate access to training of small firms and microenterprises, as well as to programmes for labour retraining.

c) Labour Institution Building and the Development of the Negotiation Model

A wide variety of factors contributes to raising productivity in a firm. They cover everything from the annual number of training hours, access to learning about new functions and leadership training, to the reorganization of tasks to increase productivity and the renovation of the firm's equipment and technology. It is essential to generate a framework for negotiation and commitments with workers and entrepreneurs in keeping with the need to promote a systematic, ongoing incentive to increase total productivity.

It is essential to incorporate increases in total factor productivity and labour productivity in labour negotiations through social dialogue at the national, regional and local levels, linking increased real wages with increased productivity.

The proposed objective is to gradually strengthen institutions in the area of labour negotiations to move from a culture of labour relations based on confrontation to one based on negotiation and cooperation to increase the productivity of firms and the workers' share in the benefits of such increases. Without strong social cooperation, it is not possible to compete successfully in the global economy.

d) Integration, Productivity and Development of Small Firms and Microenterprises

Small firms and microenterprises generate a significant portion of employment and constitute the largest share of business establishments in Latin America. In general, they generate poor quality employment in terms of productivity, earnings, stability and access to social protection, among other factors. Productivity should be raised in this segment to improve the quality of employment.

A decisive factor for increasing productivity of these firms is their incorporation into production networks, clusters, chains or other associative forms that facilitate improvements in products and processes, as well as in quality. A key challenge of policies and programmes targeting small firms and microenterprises is to reduce their isolation and stimulate their integration into associative forms of production, which will permit them to improve employment opportunities and promote local economic development.

Particularly noteworthy among the policies and instruments to encourage association are those associated with programmes to foster suppliers, market information, increased productivity, training, and access to technological innovations and credit. Similarly, the informal employment sector, particularly informal microenterprises, also requires greater integration efforts.

In summary, with respect to policies related to integration, development and productivity of small firms and microenterprises, the ILO recommends the following: (i) support the creation of these firms and prioritize their integration into production networks, clusters, chains and other forms of interaction and association; (ii) foster the sub-contracting of these firms by large or medium-sized firms nationwide, and open or expand programmes for supplier development; (iii) disseminate market information to these establishments with support from employers' organizations and programmes targeting small firms and microenterprises; (iv) promote programmes to increase total productivity and support innovation among associations of these firms; (v) establish or expand national systems of good practices to enable these establishments to access best business practices; (vi) facilitate access to management training, with an emphasis on productivity and quality; and (vii) coordinate national and regional policies targeting this segment and programmes through policy committees, with the participation of the main public and private entities involved in this area.

e) Modernization of Firm Strategies

There is a need to disseminate practices to raise productivity and quality in medium-sized and small firms to gradually replace the practice of competing by lowering labour costs and increasing precariousness. This implies focusing on social actors and promoting better practices – including social responsibility – in all firms through organizations of employers and workers.

Policies Targeting the Labour Market, Social Inclusion and the Reduction of Inequalities

Active employment and labour market policies aimed at promoting the improved functioning of the labour market and establishing employment programmes in different priority areas, as well as policies targeting social inclusion and the reduction of income inequalities (such as income transfers and access to health, nutrition, education and housing) are crucial for expanding aggregate demand, given that they permit families to increase their purchasing power and consumption.

Active employment policies are powerful tools for achieving a variety of objectives: they facilitate labour market mobility, improve resource quality, reach vulnerable groups, support smaller production units, generate temporary employment in emergency programmes, subsidize the hiring of labour in private firms, and contribute to the employability of youth.

Nevertheless, in less developed economies, such as those of many Latin American and Caribbean countries, the results of labour market policies cannot be separated from macroeconomic, mesoeconomic and microeconomic trends determining the pace of job creation and the improvement of existing jobs. In this context, the results of these policies are strongly affected by GDP growth as well as economic fluctuations and shocks.

A pressing concern is how to design programmes to make them more flexible and to modify their composition over time to better adapt them to changes. For example, in a recession, the emphasis should be on emergency policies (such as programmes for public works and social infrastructure) whereas in a recovery period, a combination of policies centred on programmes for private firms is needed (for example, employment subsidies, especially for youths entering the labour market, vocational and professional training). A permanent set of policies targeting the labour market helps to stimulate local economies and improve the functioning of the economy at the microeconomic level. In addition, it contributes to attenuating the effects of economic cycles.

In an effort to measure the decent work deficit and progress over time, indicators and criteria should be established for comparative evaluation prior to the implementation of integrated policies. Evaluation mechanisms should be developed for policies based on these indicators and criteria to ensure that the progress achieved as well as any setbacks are measurable and transparent. This permits the monitoring and analysis of the trends observed, transforming the strategic objectives into operational ones and providing key lessons. The periodic monitoring of the established objectives and indicators permits authorities and civil society to verify that targets have been reached. These indicators and criteria should be consistent with international standards established at the International Conferences of Labour Statisticians, whose application permits greater harmonization of indicators among countries.

With respect to active employment and labour market policies, the ILO recommends the following: (i) modernize and harmonize labour market information systems to achieve a more selective, precise and appropriate design for active employment policies; (ii) adjust active employment policies to enable them to better adapt to economic cycles; (iii) modernize, integrate and decentralize employment services to facilitate greater information and transparency on labour supply and demand flows, offering firms qualified human resources and providing support to individuals in search of quality employment commensurate with their skills; (iv) integrate policies with professional training services to enable the labour force to access training opportunities in keeping with potential labour market demand, as well as assisting with job searches for individuals who have completed their professional training; (v) strengthen support for the decentralized implementation of active employment policies and programmes with a view to transferring to the local level the decision to combine specific national programmes to be implemented locally; and (vi) prioritize support to small firms and microenterprises, particularly informal ones.

Accelerating the growth of the formal sector will not in and of itself reduce the high level of informal sector employment characterizing the countries of the region. To achieve this reduction, policies should also be developed to transform key segments of informal activities to encourage raising productivity and income. These processes should also include network strengthening and social services.

In this regard, the two key policy areas are: (i) strengthening the integration of informal segments with formal ones (ripple effects of the development of production networks and the increase in wages and employment in the modern sector on the demand for goods and services of the informal sector); (ii) increased access to productive resources to generate a transformation in informal sectors (credit, management training, vocational training, access to simple technologies).

In summary, the ILO proposes the following policy recommendations targeting the informal employment sector:

- Stimulate the association of informal producers of goods and services to provide them access to support policies.
- Develop local credit offices and cooperatives offering microfinancing and support the strengthening of microenterprises, especially those that respect fundamental rights at work and generate quality employment.
- Support increases in productivity and incomes of informal sector microenterprises, also facilitating their integration with production chains and related associations, such that they become instrumental in both making and benefiting from public policy.
- Foster programmes for maintaining highways, streets, access routes, bridges, urban infrastructure and other public works that may contract local microenterprise associations.
- Simplify the steps needed to establish a business, reduce costs associated with this process and in general facilitate the entry of new units in the formal sector.
- Support existing solidarity networks to multiply their effect at the regional and local levels.
- Promote programmes to support small rural producers in an attempt to facilitate access to technologies, vocational and management training, market information and other factors that stimulate increased productivity and yields.

Employment policies should emphasize the promotion of women's participation in the labour market under equal conditions and with the same opportunities as men. This will permit women to improve their income-generation capacity and thereby improve their own and their families' living conditions, favouring their increased social inclusion and empowerment, which are all basic components of a social agenda in a democracy. A strategy to generate quality employment and decent work cannot be neutral with respect to gender because it would lead to reproducing the prevailing conditions of inequality and discrimination against women.

With respect to active employment policies, a little explored area in the region is the delivery of new social services for certain population sectors. The mass incorporation of women into the labour market, on the one hand, and the aging of the population, on the other, underscores the need for governments to develop social services for children (particularly in the poorest areas) such as day care centres and preschools, as well as care and recreation centres for the elderly. Services of this type, which are well developed in more advanced nations, may contribute significantly to the generation of new employment, besides fulfilling an important social function.

As mentioned, Latin America and the Caribbean have social protection systems (health and pensions systems, among others) characterized by low coverage in terms of both the relative number of workers and family members that have protection programmes and plans, as well as with respect to the risks covered and the quality of protection. A priority of the strategy to generate decent work in the region is to expand and strengthen social protection systems. It is equally important to generate mechanisms for countercyclical financing to diminish fluctuations associated with the economic cycle. Another key challenge is institution building to optimize the management of social protection, as well as to link the goals of transfer programmes to progress toward objectives associated with fundamental rights at work (for example, the eradication and prevention of child labour).

The role of wage policies (including minimum wage policies) should also be recognized for transferring the increase in productivity to the purchasing power of working families and their progressive integration into the consumer market, expanding domestic investment potential with positive effects on investment and productive efficiency. The following is required to promote this process: (i) establish a general wage policy that permits improved living conditions for the worker and the worker's family and fosters improvements in productivity and competitiveness of firms and the economy as a whole; (ii) facilitate the use of collective bargaining agreements as instruments to foster productivity of firms and promote the negotiation of wage clauses associated with productivity increases, as well as adopt a policy to reduce disparities between the minimum wage and the cost of a basic consumer basket at a socially just and economically viable pace. This implies adjusting their level for expected inflation and providing an additional increase that fluctuates between the average rate of increase in productivity of the total economy (as a minimum) and the GDP growth rate (as a maximum).

The proposal to integrate the three levels of economic policy with social and labour policy clearly will be facilitated by the implementation of social dialogue and consensus-building efforts. To this end, permanent, stable mechanisms should be designed to encourage the participation of workers and employers in a tripartite dialogue with governments to permit a shift from the limited scope of government policy to long-term policy proposals of the state that are socially legitimate, facilitating their subsequent discussion and political and legal approval in the corresponding legislative offices. The viability of social dialogue and the sustainability of labour policies require the existence of solid, representative organizations of employers and workers (associated with respect for the rights of freedom of association, collective bargaining and negotiation), as well as labour administration which is modern, efficient and effective.

In many countries of the region, a key obstacle for an improved labour administration is not the limited budget but rather the employment instability of government employees. Employees of different technical and management levels are dismissed not only every time there is a change of government but also in some instances every time there is a change of minister within the same administration. Each dismissal means starting over not only in terms of the application of policies but also in the design of new policies.

Conclusions

The results of the economic reforms adopted in Latin America and the Caribbean in the early 1990s indicate that key objectives have been achieved, including the recovery of macroeconomic stability, which was seriously affected during the so-called *lost decade* of the 1980s. Low inflation together with a better fiscal balance, improved exchange rate management and a more developed financial market represent significant achievements of the region over the past 15 years. Macroeconomic progress varied among the countries, which was explained by the nature and depth of the reforms, as well as by the different national contexts and the timing and gradualness of their application and of the accompanying policies.

Despite the favourable achievements in the area of macroeconomic stabilization, results in terms of economic growth, employment and the wellbeing of the population have been unsatisfactory. The relatively high external vulnerability and the strong fluctuations of foreign capital flows, together with the low productivity and competitiveness of the region, have led to weak, volatile GDP growth, yielding a fluctuating and increasing unemployment rate, which has reached almost unprecedented levels (10.2% in 2004) and which particularly affects youth and women. The new jobs generated over the past 15 years have been largely precarious, notably informal sector employment and jobs with limited social protection, low productivity and wages. In addition, there is low compliance with fundamental rights at work. The combination of limited economic growth with high unemployment and precarious employment has led to an increase in the decent work deficit, which is closely associated with the high poverty rate, which reached 42.9% in 2004. The rural population, which suffers more poverty and extreme poverty than the urban population, in relative terms, requires urgent measures. Income inequality also has increased during recent years and today the Latin America and Caribbean region is the most unequal region in the world.

This assessment underscores the urgent need to adopt integrated economic and social policies agreed upon with social actors -employers, workers and governments- to guide market functioning in terms of the key objective of generating quality employment to reduce poverty and inequality. The ILO conceptual framework presented in this feature article includes recommendations for policies compatible with the promotion of decent work and represents an approach targeting an agenda of economic growth and well-being for the populations of Latin America and the Caribbean. From the perspective of this approach, macroeconomic policies designed to control inflation and fiscal deficits are necessary but insufficient for generating more and better employment, and constitute an appropriate tool for creating an environment conducive to growth.

The goal of this proposal is not to propose *one-size-fits-all* policies for countries, but rather to provide a conceptual framework that serves as the basis for the design of specific national policies that are urgently needed at the macroeconomic, mesoeconomic and microeconomic levels and that target the labour market, to contribute to increasing the competitiveness and profitability of traded goods and services (particularly those with value added) as well as the promotion of exports and domestic production that competes with imports with a view to reducing external vulnerability and promoting the sustainable growth of the region's economies. Likewise, it seeks to ensure that the growth of the export sector benefits the rest of the domestic productive structure, generating quality employment and decent work to reduce poverty and social inequality.

EXPLANATORY NOTE

The tables in the *Statistical Appendix* constitute the data source used in the analysis provided in the labour market report of *Labour Overview*. The ILO prepares these tables using information from different national official sources of Latin America and the Caribbean. Below is an explanation of the concepts and definitions used, information sources, international comparability of the data, and reliability of the estimates contained in the *Statistical Appendix*. The information presented refers to urban areas unless otherwise indicated.

I. Concepts and Definitions

The national definitions of several concepts appearing in *Labour Overview* may differ from international standards adopted for these concepts in the International Conferences of Labour Statisticians. The definitions provided below are generally based on international standards, although some are defined according to standards developed for this publication.

Employed persons are those individuals above a certain specified age who, during the brief reference period of the survey, such as a week or a day: (1) *had wage or salaried employment*, working during the reference period for a wage or salary, or were employed but without work due to temporary absence during the reference period, during which time they maintained a formal attachment to their job, or (2) ***were independently employed or self-employed***, working for profit or family gain (includes unpaid family workers), or were not working independently due to a temporary absence during the reference period.

Labour Overview defines ***employed persons in the informal*** sector as employed individuals whose main employment activities are classified into one of the following categories: (1) independent workers (which include family workers and self-employed workers, except those in administrative, professional and technical occupations), (2) domestic service workers, and (3) workers employed in establishments with a maximum of five workers.

The term ***unemployed persons*** refers to individuals over a specified age who during the reference period were (1) without employment, (2) available for wage or salaried work or self-employment, and (3) actively seeking employment, having taken concrete action to obtain employment in a specific recent period.

The ***economically active population or the labour force*** includes all individuals who, being of at least a specified minimum age, fulfil the requirements to be included in the category of employed or unemployed individuals. In other words, it is the sum of the group of employed and unemployed individuals.

Inactive individuals are people of working age that do not belong to the labour force.

The ***employment-to-population ratio*** refers to the number of employed individuals divided by the working age population.

The ***unemployment rate*** refers to the number of unemployed people as a percentage of the labour force.

The ***labour force participation rate*** is the labour force as a percentage of the population of working age.

Labour productivity is defined in *Labour Overview* as increases (or decreases) of the average product per worker, which is calculated using series of the Gross Domestic Product (GDP) growth rate and rates of total employment growth for the countries.

The concept of ***wages*** refers to payment in cash and/or in kind (for example foodstuffs or other articles) paid to workers, usually at regular intervals, for the hours worked or the work completed, along with pay for periods not worked, such as annual vacations or holidays.

Labour Overview defines ***real manufacturing wages*** as the average nominal wages paid to workers in the manufacturing sector, deflated using the national level Consumer Price Index (CPI) of each country, with some exceptions, as in the cases of Peru and Venezuela where the CPI of metropolitan Lima and the CPI for metropolitan Caracas are used, respectively. Some series refer to all wage and salaried workers in manufacturing, others strictly to labourers, as indicated in the notes of the corresponding table. The series of average manufacturing wages were obtained from establishment surveys of manufacturing industries in the countries, except in Central America and the Caribbean, where the information was obtained from household surveys. The real manufacturing wage index was constructed using 1990 as the base year (1990 = 100).

Real minimum wages are defined in *Labour Overview* as the value of the average nominal minimum wage deflated using the Consumer Price Index (CPI) of each country. The majority of the countries have a single minimum wage. Nonetheless, in some countries the minimum wage is differentiated according to industry and/or occupation. The real minimum wage index was constructed using 1990 as the base year (1990=100).

II. International Comparability

Progress toward harmonizing concepts and methodologies of statistical data that permit international comparisons is directly related to the particular situation of the statistical system in each country of the region, in terms of their institutional capacity, information needs, infrastructure and level of development of the data collection system (based primarily on labour force sample surveys), as well as available human and financial resources. In general, the comparability of labour market statistics in Latin America and the Caribbean is mainly hampered by the lack of conceptual and methodological standardization of key labour market variables. This is also true of other variables associated with the world of work, since countries may have different concepts for geographic coverage and minimum working age thresholds, and may use different versions of international classification manuals.

III. Information Sources

Most of the information on employment indicators, real wages, productivity, and GDP growth (expressed in constant monetary units) for the countries of Latin America and the Caribbean presented in *Labour Overview* originate from household surveys, establishment surveys or administrative records and can be found at the following websites:

Argentina: Instituto Nacional de Estadísticas y Censos (INDEC) (www.indec.gov.ar).

Barbados: Ministry of Labour (http://labour.gov.bb) and The Central Bank of Barbados (www.centralbank.org.bb).

Bolivia: Instituto Nacional de Estadísticas (INE) (www.ine.gov.bo).

Brazil: Instituto Brasileño de Geografía y Estadísticas (IBGE) (www.ibge.gov.br).

Chile: Instituto Nacional de Estadísticas (INE) (www.ine.cl), Banco Central de Chile (www.bcentral.cl) and Ministerio de Planificación y Cooperación (www.mideplan.cl).

Colombia: Departamento Administrativo Nacional de Estadísticas (DANE) (www.gov.dane.co) and Banco de la República de Colombia (www.banrep.gov.co).

Costa Rica: Instituto Nacional de Estadísticas y Censos (INEC) (www.inec.go.cr), Banco Central de Costa Rica (www.bccr.fi.cr) and Ministerio de Trabajo y Seguridad Social (www.ministrabajo.co.cr).

Ecuador: Banco Central del Ecuador (BCE) (www.bcentral.fin.ec), Instituto Nacional de Estadística y Censo (www.inec.gov.ec) and Ministerio de Trabajo y Empleo.

El Salvador: Ministerio de Economía (MINEC) (www.minec.gob.sv), Dirección General de Estadística y Censo and Ministerio de Trabajo y Previsión Social (www.mtps.gob.sv).

Guatemala: Instituto Nacional de Estadística (www.ine.gob.gt).

Honduras: Instituto Nacional de Estadística (INE) (www.ine-hn.org), Banco Central (www.bch.hn) and Secretaría de Trabajo y Seguridad Social.

Jamaica: Statistical Institute of Jamaica (www.statinja.com) and Bank of Jamaica (www.boj.org.jm).

Mexico: Instituto Nacional de Estadística, Geografía e Informática (INEGI) (www.inegi.gob.mx) and Secretar ía de Trabajo y Previsión Social (www.stps.gob.mx).

Nicaragua: Instituto Nacional de Estadística y Censos (INEC) (www.inec.gob.ni) and Ministerio de Trabajo.

Panama: Contraloría General de la República de Panamá (www.contraloria.gob.pa) and Ministerio de Trabajo y Desarrollo Laboral (www.mitradel.gob.pa).

Paraguay: Banco Central del Paraguay (BCP) (www.bcp.gov.py) and Dirección General de Estadística, Encuesta y Censo (www.dgeec.gov.py).

Peru: Instituto Nacional de Estadísticas e Informática (INEI) (www.inei.gob.pe), Banco Central de Reserva del Perú (www.bcrp.gob.pe) and Ministerio de Trabajo y Promoción del Empleo (www.mintra.gob.pe).

Trinidad and Tobago: Central Bank of Trinidad and Tobago (www.central-bank.org.tt) and Central Statistical Office (www.cso.gov.tt).

Uruguay: Instituto Nacional de Estadística (INE) (www.ine.gub.uy).

Venezuela: Instituto Nacional de Estadística (INE) (www.ine.gov.ve) and Banco Central de Venezuela (www.bcv.gov.ve).

The information on employment, earnings and productivity indicators of the countries not previously mentioned, as well as data on the employment structure indicators for Latin American countries presented in *Labour Overview*, were obtained from household surveys processed by the ILO project, Information System for Latin America (SIAL), and from administrative records of that entity.

All indicators on employment, income, productivity and employment structure of the Caribbean countries presented in *Labour Overview* were obtained from official data from household surveys of those countries.

Finally, the household surveys that periodically collect data on the labour market situation in Argentina (2003), Brazil (2002), Colombia (2000), Ecuador (1999), Nicaragua (2003) and Peru (2001) underwent methodological changes or were newly established (Ecuador and Peru) such that the contents of the series changed with respect to previous years.

IV. Reliability of Estimates

The data in the *Statistical Appendix* originating from household or establishment surveys of the countries are subject to sampling and *non-sampling errors*. *Sampling errors* occur, for example, when a survey is conducted based on a sample of the population instead of a census, for which reason there is the possibility that these estimates will differ from the real values of the target population. The exact difference, called the sampling error, varies depending on the sample selected. Its variability is measured through the standard error of the estimate. In most countries of Latin America and the Caribbean, estimates of the key labour market indicators presented in *Labour Overview* have a confidence level of 95%. This means that estimates of these indicators have a coefficient of variation of no more than 5% of the true value of the population caused by sampling errors.

Non-sampling errors can also affect estimates derived from household or establishment surveys. These may occur for a variety of reasons, including the lack of a sample of a population segment; the inability to obtain information for all people in the sample; the lack of cooperation on the part of some respondents to provide accurate, timely information; errors in the responses of survey respondents; and errors introduced during data collection and processing.

STATISTICAL ANNEX

TABLE 1-A

LATIN AMERICA AND THE CARIBBEAN: OPEN URBAN UNEMPLOYMENT, 1990 - 2005

(average annual rates)

Country	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2004 First semester	2005 First semester
Argentina a/	7.5	6.5	7.0	9.6	11.5	17.5	17.2	14.9	12.9	14.3	15.1	17.4	19.7	17.3	13.6	**14.6**	**12.5**
Bolivia b/	7.3	5.9	5.5	5.9	3.1	3.8	3.8	3.7	4.1	7.2	7.4	8.5	8.7	9.2	...	**...**	**...**
Brazil c/	4.3	4.8	4.9	5.4	5.1	4.6	5.4	5.7	7.6	7.8	7.1	6.2	11.7	12.3	11.5	**12.3**	**10.3**
Chile d/	7.4	7.1	6.2	6.4	7.8	6.6	5.4	5.3	6.4	9.8	9.2	9.1	9.0	8.5	8.8	**8.9**	**8.3**
Colombia e/	10.5	10.2	10.2	8.6	8.9	8.8	11.2	12.4	15.2	19.4	17.3	18.2	17.6	16.7	15.4	**16.5**	**15.0**
Costa Rica f/	5.3	5.9	4.2	3.9	4.2	5.6	6.4	5.8	5.3	6.1	5.2	5.8	6.8	6.7	6.7	**...**	**...**
Cuba d/	5.4	5.1	4.6	4.3	6.4	8.1	7.6	7.1	6.2	6.2	5.4	4.1	3.3	3.0	...	**...**	**...**
Dominican Republic g/	...	19.6	20.3	19.9	16.0	15.8	16.7	16.0	14.4	13.9	13.9	15.6	16.1	17.0	18.4	**...**	**...**
Ecuador h/	6.1	8.5	8.9	8.3	7.1	6.9	10.4	9.2	11.5	15.1	14.1	10.4	8.6	9.8	11.0	**11.3**	**11.1**
El Salvador f/	7.5	....	8.7	9.9	7.0	7.0	7.7	7.5	7.6	6.9	6.7	7.0	6.2	6.2	6.5	**...**	**...**
Honduras f/	6.9	7.1	5.1	5.6	4.0	6.6	6.6	5.2	4.6	5.2	...	5.5	5.9	7.4	8.0	**...**	**...**
Mexico i/	2.8	2.7	2.8	3.4	3.7	6.2	5.5	3.7	3.2	2.5	2.2	2.4	2.7	3.3	3.8	**3.7**	**3.9**
Nicaragua j/	7.6	...	14.4	17.8	17.1	16.9	16.0	14.3	13.2	10.7	9.8	11.3	12.1	10.2	9.3	**...**	**...**
Panama k/	20.0	20.0	18.2	15.6	15.8	16.4	16.9	15.4	15.6	13.6	15.3	17.0	16.5	15.9	14.0	**...**	**...**
Paraguay l/	6.6	5.1	5.3	5.1	4.4	5.3	8.2	7.1	6.6	9.4	10.0	10.8	14.7	11.2	10.0	**...**	**...**
Peru m/	8.3	6.0	9.4	9.9	8.8	7.1	7.2	8.6	6.9	9.4	7.8	9.2	9.4	9.4	9.4	**10.1**	**10.5**
Uruguay f/	8.5	8.9	9.0	8.4	9.2	10.3	11.9	11.4	10.1	11.3	13.6	15.3	17.0	16.9	13.1	**13.5**	**12.2**
Venezuela d/	10.4	10.1	8.1	6.8	8.9	10.3	11.8	11.4	11.3	15.0	13.9	13.3	15.9	18.0	15.1	**16.6**	**13.2**
Latin America n/	7.9	8.6	8.7	8.9	8.4	9.2	9.9	9.3	9.2	10.4	10.5	10.8	11.7	11.5	10.9	**11.9**	**10.9**
o/	5.7	5.6	5.7	6.3	6.6	7.4	7.9	7.5	8.1	8.9	8.2	8.3	10.9	11.1	10.2	**10.9**	**9.6**
The Caribbean																	
Barbados	15.0	17.2	22.9	26.4	21.9	19.7	15.6	14.5	12.3	10.4	9.3	9.9	10.3	11.0	9.8	**...**	**...**
Jamaica	15.3	15.7	15.4	16.3	15.4	16.2	16.0	16.5	15.5	15.7	15.5	15.0	14.2	11.8	12.2	**...**	**...**
Trinidad and Tobago	20.0	18.5	19.6	19.8	18.4	17.2	16.2	15.0	14.2	11.7	12.1	10.9	10.4	10.5	8.4	**...**	**...**

Source: ILO, based on information from household surveys of the countries.

a/ Progressive incorporation, reaching 28 urban areas beginning in 2002. New measurement beginning in 2003; data are not comparable with previous years.
b/ Departamental capitals and the city of El Alto. Beginning in 1999, urban area coverage.
c/ Six metropolitan areas. New measurement beginning in 2002; data are not comparable with previous years.
d/ National coverage.
e/ Includes hidden unemployment. Seven metropolitan areas until 1999. Beginning in 2000 thirteen metropolitan areas.
f/ Urban national coverage.
g/ Includes hidden unemployment. National coverage.
h/ Includes hidden unemployment. Urban national coverage until 1998. Beginning in 1999, only includes Quito, Guayaquil and Cuenca.
i/ Progressive incorporation, reaching 32 urban areas beginning in 2003.
j/ Urban national coverage. New measurement since 2003; data are not comparable with previous years.
k/ Includes hidden unemployment. Urban national coverage.
l/ Metropolitan area of Asuncion until 1993. Beginning in 1994 urban national coverage.
m/ Metropolitan Lima. New measurement beginning in 2002; data are not comparable with previous years.
n/ Simple average. Beginning in 2002, calculated based on the new Brazilian series and from 2003 onward with the new series of Argentina.
o/ Weighted average. Beginning in 2002 calculated based on the new Brazilian series and from 2003 onward with the new series of Argentina.

TABLE 2-A

LATIN AMERICA AND THE CARIBBEAN: URBAN UNEMPLOYMENT BY SEX, 1990-2005

(average annual rates)

Country	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2004 First semester	2005 First semester
LATIN AMERICA																	
Argentina [a/]	7.5	6.5	7.0	9.6	11.5	17.5	17.2	14.9	12.9	14.3	15.1	17.4	19.7	17.3	13.6	**14.6**	**12.5**
Men	7.2	6.0	6.5	8.3	10.1	15.6	15.8	13.0	11.8	13.3	14.1	17.5	20.2	15.5	11.9	**12.6**	**10.8**
Women	7.6	7.1	7.7	11.7	13.6	20.3	19.4	17.9	14.6	15.6	16.4	17.2	18.9	19.5	15.8	**17.1**	**14.8**
Bolivia [b/]	7.3	5.9	5.5	5.9	3.1	3.6	3.8	3.7	4.1	7.2	7.4	8.5	8.7	9.2	...	**...**	**...**
Men	6.8	5.7	5.5	6.5	3.4	3.3	...	3.7	...	6.2	6.2	7.3	7.3	7.0	...	**...**	**...**
Women	7.8	6.3	5.6	5.3	2.9	4.0	...	3.6	...	8.5	8.9	9.7	10.3	11.7	...	**...**	**...**
Brazil [c/]	4.3	4.8	4.9	5.4	5.1	4.6	5.4	5.7	7.6	7.7	7.1	6.2	11.7	12.3	11.5	**12.3**	**10.3**
Men	...	4.8	5.6	5.2	4.8	4.5	5.0	5.3	7.1	7.1	6.5	5.9	9.9	10.1	9.1	**9.7**	**8.1**
Women	...	4.9	6.0	5.6	5.5	4.8	6.1	6.3	8.3	8.3	8.0	6.7	13.9	15.2	14.4	**15.3**	**13.1**
Chile [d/]	7.4	7.1	6.2	6.4	7.8	6.6	5.4	5.3	6.4	9.7	9.2	9.1	9.0	8.5	8.8	**8.9**	**8.3**
Men	6.6	6.1	5.0	5.3	6.5	5.5	4.8	4.7	5.7	9.3	8.7	8.9	8.6	7.9	7.9	**8.0**	**7.2**
Women	9.2	9.4	8.9	8.8	10.3	8.9	6.7	6.6	7.6	10.5	10.0	9.7	9.6	9.7	10.5	**10.6**	**10.3**
Colombia [e/]	11.0	9.8	9.2	7.8	7.6	8.7	12.0	12.1	15.0	20.1	17.3	18.2	17.6	16.7	15.4	**16.5**	**15.0**
Men	8.3	7.4	6.5	5.3	4.9	6.8	9.6	9.8	12.6	17.1	15.0	16.0	15.3	14.0	13.0	**14.0**	**12.6**
Women	14.7	13.1	12.6	11.0	11.2	11.3	15.1	15.1	18.8	23.3	19.9	20.7	20.1	19.6	18.1	**19.3**	**17.6**
Costa Rica [f/]	5.3	5.9	4.2	3.9	4.2	5.6	6.4	5.8	5.3	6.1	5.2	5.8	6.8	6.7	6.7	**...**	**...**
Men	4.9	5.5	3.5	3.5	3.7	5.2	5.8	5.3	4.4	5.3	4.6	5.2	6.2	6.1	5.8	**...**	**...**
Women	6.2	6.6	5.5	4.6	5.1	6.3	7.6	6.7	6.7	7.4	6.3	6.7	7.7	7.6	8.2	**...**	**...**
Dominican Republic [g/]	...	19.6	20.3	19.9	16.0	15.8	16.7	15.9	14.3	...	15.3	16.4	17.2	17.7	...	**...**	**...**
Men	...	12.5	11.7	11.4	10.0	10.2	10.2	...	...	...	9.8	10.9	11.0	12.3	...	**...**	**...**
Women	...	33.1	34.9	34.8	26.9	26.2	28.7	...	...	...	22.8	24.2	25.7	25.0	...	**...**	**...**
Ecuador [h/]	6.1	8.4	8.9	8.3	7.1	6.8	10.4	9.2	11.5	14.4	9.0	10.9	9.2	11.5	8.6	**...**	**...**
Men	4.2	5.3	6.0	6.2	5.7	5.5	...	7.4	8.4	10.8	6.2	7.1	6.0	9.1	6.6	**...**	**...**
Women	9.2	13.1	13.2	11.5	9.2	8.9	...	12.1	15.9	19.6	13.1	16.1	14.0	15.0	11.4	**...**	**...**
El Salvador [f/]	7.5	....	8.7	9.9	7.0	7.0	7.7	7.5	7.6	6.9	6.7	7.0	6.2	6.2	6.5	**...**	**...**
Men	8.3	....	9.0	11.8	8.4	8.7	8.4	9.0	9.6	9.9	9.9	8.7	7.4	8.6	8.8	**...**	**...**
Women	6.6	....	8.3	6.8	6.4	5.9	6.5	5.5	6.1	5.8	3.7	4.9	3.4	3.1	3.7	**...**	**...**
Honduras [f/]	6.9	7.1	5.1	5.6	4.0	6.6	6.6	5.2	4.6	5.2	...	5.5	5.9	7.4	8.0	**...**	**...**
Men	9.6	13.1	9.8	5.9	5.9	10.7	11.8	5.9	...	...	...	...	6.2	7.1	7.4	**...**	**...**
Women	5.2	4.1	3.0	5.1	3.1	4.1	4.4	4.3	...	...	...	...	5.5	7.7	8.8	**...**	**...**
Mexico [i/]	2.7	2.7	2.8	3.4	3.7	6.3	5.5	3.7	3.3	2.5	2.2	2.4	2.7	3.3	3.8	**3.7**	**3.9**
Men	2.6	2.5	2.7	3.2	3.6	6.1	5.3	3.5	3.0	2.4	2.1	2.4	2.6	3.2	3.5	**3.6**	**3.4**
Women	3.0	2.9	3.2	3.9	4.0	6.5	5.9	4.2	3.7	2.6	2.4	2.5	2.8	3.5	4.2	**4.1**	**4.9**
Panama [j/]	...	20.0	18.2	15.6	15.8	16.4	16.9	15.4	15.6	13.6	15.3	17.0	16.1	15.9	14.0	**...**	**...**
Men	...	12.8	10.8	9.7	10.7	10.8	11.0	13.3	12.4	8.8	12.0	15.1	13.9	13.2	11.5	**...**	**...**
Women	...	22.6	22.3	20.2	20.4	20.1	20.0	18.2	19.7	16.7	18.1	19.8	19.3	19.6	17.6	**...**	**...**
Paraguay [k/]	6.6	5.1	5.3	5.1	4.4	5.3	8.2	6.9	6.9	9.4	10.0	10.8	14.7	11.2	10.0	**...**	**...**
Men	6.6	5.4	6.4	5.5	4.9	5.1	7.8	6.2	6.2	9.6	9.9	10.5	14.0	10.5	8.7	**...**	**...**
Women	6.5	4.7	3.8	4.5	3.7	5.5	8.6	7.8	7.8	9.3	10.2	11.2	15.7	12.2	11.6	**...**	**...**
Peru [l/]	8.3	6.0	9.4	9.9	8.8	7.1	7.2	8.6	6.9	9.4	7.8	9.2	9.4	9.4	9.4	**10.1**	**10.5**
Men	6.5	4.8	7.5	8.4	7.0	6.0	6.2	7.0	5.0	8.7	8.2	8.2	8.3	8.5	8.1	**8.9**	**9.2**
Women	11.4	7.3	12.5	12.2	11.8	8.7	8.5	10.6	9.2	10.2	7.4	10.6	10.8	10.7	11.1	**11.6**	**12.1**
Uruguay [m/]	9.3	8.9	9.0	8.4	9.2	10.8	12.3	11.6	10.2	11.8	13.9	15.5	17.0	16.7	12.9	**13.5**	**12.2**
Men	7.3	7.1	6.7	6.3	7.0	8.4	10.5	9.2	8.1	9.2	10.9	11.5	14.0	14.0	10.8	**11.1**	**9.8**
Women	11.8	11.3	11.8	11.0	11.8	13.6	14.5	14.5	12.7	14.8	17.2	19.7	20.3	19.6	15.3	**16.0**	**14.8**
Venezuela [d/]	10.4	10.1	8.1	6.8	8.9	10.3	11.8	11.4	11.3	15.0	13.9	13.3	15.9	18.0	15.1	**16.6**	**13.2**
Men	10.4	9.5	8.1	7.1	8.2	8.9	10.3	10.3	9.9	13.6	13.2	13.6	14.4	16.3	13.1	**14.5**	**12.3**
Women	10.3	8.6	5.9	5.5	9.6	12.9	14.5	14.2	13.6	17.1	14.8	17.4	18.2	21.1	17.9	**19.9**	**14.7**

(continued...)

TABLE 2-A *(continued)*

LATIN AMERICA AND THE CARIBBEAN: URBAN UNEMPLOYMENT BY SEX, 1990-2005

(average annual rates)

Country	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2004 First semester	2005 First semester
THE CARIBBEAN																	
Barbados	15.0	17.2	22.9	26.4	21.9	19.7	15.6	14.5	12.3	10.4	9.3	9.9	10.3	11.0	9.9 n/	...	...
Men	10.1	13.2	20.4	21.8	17.6	16.5	12.4	11.3	8.4	7.8	7.4	8.0	8.4	9.5	9.0	...	...
Women	20.5	21.6	25.7	27.7	26.4	22.9	18.9	17.8	16.4	13.3	11.5	11.9	12.3	12.6	10.7	...	...
Jamaica	15.3	15.7	15.4	16.3	15.4	16.2	16.0	16.5	15.5	15.7	15.5	15.0	14.2	11.8	12.2	...	...
Men	9.1	9.4	9.5	10.9	9.6	10.8	9.9	10.6	10.0	10.0	10.2	10.2	9.9	8.1	8.2	...	...
Women	20.4	22.2	22.8	22.4	21.8	22.5	23.0	23.5	22.1	22.4	22.3	21.0	19.6	16.4	17.3	...	...
Trinidad and Tobago	20.0	18.5	19.6	19.8	18.4	17.2	16.2	15.0	14.2	11.7	12.1	10.9	10.4	10.5	8.4	...	...
Men	17.8	15.7	17.0	17.6	16.1	15.1	13.2	12.3	11.3	10.9	10.2	8.7	7.8	8.3	6.4	...	...
Women	24.2	23.4	23.9	23.4	22.3	20.6	21.0	19.4	18.9	16.8	15.2	14.5	14.5	13.8	11.2	...	...

Source: ILO, based on information from household surveys of the countries.

a/ Progressive incorporation, reaching 28 urban areas beginning 2002. New measurement beginning 2003; data are not comparable with previous years.
b/ Departamental capitals and the city of El Alto. Beginning in 1999, urban area coverage.
c/ Six metropolitan areas. New measurement beginning in 2002; data are not comparable with previous years.
d/ National coverage.
e/ Includes hidden unemployment. Seven metropolitan areas until 1999, September of each year. Beginning in 2000, thirteen metropolitan areas, annual averages.
f/ Urban national coverage.
g/ Includes hidden unemployment. National coverage.
h/ Includes hidden unemployment. Urban national coverage.
i/ Progressive incorporation, reaching 32 urban areas beginning 2003.
j/ Includes hidden unemployment. Urban national coverage.
k/ Metropolitan area of Asuncion until 1993. Beginning in 1994 urban national coverage.
l/ Metropolitan Lima. New measurement beginning in 2002; data are not comparable with previous years.
m/ Montevideo.
n/ Average of the first two quarters.

TABLE 3-A

LATIN AMERICA AND THE CARIBBEAN: URBAN YOUTH UNEMPLOYMENT, 1990-2005

(average annual rates)

Country	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2004 First semester	2005 First semester
LATIN AMERICA																	
Argentina a/																	
15-24	16.2	14.4	14.7	19.4	22.1	32.0	31.0	27.1	24.3	26.2	28.4	31.0	35.5	35.3	29.3	**30.8** p/	**29.8** p/
Bolivia b/																	
10-19	13.3	13.1	8.3	8.6	4.9	5.0	7.0	...	...	16.1	14.7	14.2	20.0	...	...	**...**	**...**
20-29	9.5	7.3	7.0	8.2	4.5	5.4	...	...	...	9.9	10.8	10.9	10.7	...	...	**...**	**...**
Brazil c/																	
15-17	...	11.6	14.4	12.2	11.9	11.0	13.0	14.3	18.8	17.8	17.8	29.8	33.9	38.2	35.4	**38.3**	**35.0**
18-24	...	9.1	11.2	10.3	9.6	9.3	10.5	11.4	14.0	14.5	14.0	12.5	21.3	23.4	22.5	**23.7**	**21.6**
Chile d/																	
15-19	15.9	13.7	12.6	13.0	16.8	15.8	15.0	19.9	17.5	25.1	21.4	20.8	21.6	21.2	20.9	**20.7**	**18.4**
20-24	12.0	12.4	10.3	10.2	11.9	10.1	12.2	13.6									
Colombia e/																	
12-17	...	23.8	20.7	18.4	19.1	21.0	31.8	29.1	33.3	42.2	33.3	35.6	32.7	29.6	29.3	**29.6** p/	**29.9** p/
18-24	...	18.4	18.0	15.7	14.5	16.6	22.0	23.7	29.2	36.3	32.4	33.1	32.0	32.0	29.3	**32.3**	**31.8**
Costa Rica f/																	
12 - 24	10.4	14.1	9.3	10.2	9.8	13.5	13.9	13.1	12.8	14.9	10.9	14.0	16.3	14.5	15.1	**...**	**...**
Ecuador g/																	
15-24	13.5	17.6	17.3	15.7	14.9	15.3	20.0	19.4	23.5	25.9	17.4	20.1	17.4	22.1	20.5 n/	**...**	**...**
El Salvador f/																	
15-24	18.6	14.6	14.3	14.4	13.5	13.3	13.1	14.6	15.0	13.9	14.3	13.2	11.4	11.9	13.2	**...**	**...**
Honduras f/																	
10 - 24	10.7	12.3	6.6	9.7	6.7	10.2	9.7	8.7	10.0	10.0	...	...	8.8	12.0	...	**...**	**...**
Mexico h/																	
12-19	7.0	5.0	6.9	7.3	8.3	13.1	11.4	8.4	6.9	5.8	5.3	5.6	6.6	8.5	9.5	**...**	**...**
20-24	...	...	4.4	5.7	6.0	9.9	8.8	6.5	5.7	4.4	4.1	4.6	5.2	6.6	7.4	**...**	**...**
Panama i/																	
15-24	...	38.8	37.0	31.6	31.1	31.9	34.8	31.5	31.7	29.5	32.6	35.4	34.1	33.7	35.7	**...**	**...**
Paraguay j/																	
15-19	18.4	9.0	14.1	9.8	12.3	10.8	29.1	13.7	...	21.2	...	22.3	29.9	25.3	...	**...**	**...**
20-24	14.1	9.5	7.3	8.8	5.5	7.8	12.6	12.7	...	13.4	...	15.4	21.3	19.0	...	**...**	**...**
Peru k/																	
14-24	15.5	11.8	16.9	17.2	13.7	11.3	13.8	14.2	12.7	12.8	15.4	14.2	15.1	14.8	15.8	**15.8**	**17.8**
Uruguay l/																	
14-24	26.6	25.0	24.4	23.3	25.5	25.5	28.0	26.8	25.5	28.0	31.7	36.2	40.0	39.1	32.4	**31.2**	**31.9**
Venezuela m/																	
15-24	18.0	15.8	13.4	13.0	15.9	19.9	25.4	23.1	21.9	26.6	25.3	23.2	27.2	30.3	27.5	**27.5**	**22.2**
THE CARIBBEAN																	
Barbados																	
15-24	...	33.8	36.4	43.2	41.7	37.8	27.5	28.9	27.4	21.8	18.5	23.1	23.2	26.1	21.5 o/	**...**	**...**
Jamaica																	
15-24	30.7	29.2	28.3	29.5	28.9	34.1	34.4	34.2	33.3	34.0	32.1	33.0	30.8	27.2	...	**...**	**...**
Trinidad and Tobago																	
15-24	36.4	34.2	34.8	38.9	39.9	31.0	28.5	35.3	25.8	23.7	23.2	22.6	21.1	20.6	18.3	**...**	**...**

Source: ILO, based on information from household surveys of the countries.

a/ Progressive incorporation until reaching 28 urban areas beginning in 2002. New measurement beginning in 2003; data are not comparable with previous years.
b/ Departamental capitals and the city of El Alto. Beginning in 1999 urban area coverage.
c/ Six metropolitan areas. New measurement beginning in 2002; data are not comparable with previous years.
d/ National coverage. Beginning in 1988, 15 - 24 years old.
e/ Includes hidden unemployment. Seven metropolitan areas until 1999, September of each year. Beginning in 2000 thirteen metropolitan areas, annual average.
f/ Urban national coverage.
g/ Includes hidden unemployment. Urban national coverage.
h/ Progressive incorporation reaching 32 urban areas beginning in 2003.
i/ Includes hidden unemployment. Urban national coverage.
j/ Metropolitan area of Asuncion until 1993. Beginning in 1994 urban national coverage.
k/ Metropolitan Lima. New measurement beginning in 2002; data are not comparable with previous years.
l/ Montevideo.
m/ National coverage.
n/ September.
o/ Average of the first two quarters.
p/ First quarter.

TABLE 4-A

LATIN AMERICA AND THE CARIBBEAN: URBAN LABOUR FORCE PARTICIPATION RATES, 1990-2005

(average annual rates)

Country	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2004 First semester	2005 First semester
LATIN AMERICA																	
Argentina a/	53.6	53.8	54.5	54.9	54.6	55.2	55.0	55.8	56.1	56.7	56.4	56.1	55.6	60.3	60.2	**60.1**	**59.5**
Bolivia b/	51.2	51.5	50.6	52.6	53.7	55.0	56.5	52.5	...	55.9	56.1	60.6	58.0	60.4	...	**...**	**...**
Brazil c/	61.5	61.0	59.2	58.6	59.3	59.3	59.6	58.5	58.2	57.1	58.0	56.4	55.3	57.1	57.2	**57.0**	**56.6**
Chile d/	53.0	53.0	54.3	56.0	56.0	54.9	54.5	54.4	55.1	54.4	53.7	52.9	52.5	52.9	53.2	**52.9**	**53.7**
Colombia e/	58.4	59.5	60.8	60.1	60.0	59.9	59.7	59.9	62.2	63.1	63.5	64.2	64.2	64.5	62.9	**62.8**	**62.2**
Costa Rica f/	53.2	51.8	50.4	51.8	53.3	54.5	52.3	54.0	56.1	56.4	54.8	56.8	56.4	56.8	56.3	**...**	**...**
Dominican Republic g/	...	55.0	58.9	57.4	53.3	51.9	53.2	54.1	52.6	56.5	55.2	57.0	57.0	56.4	...	**...**	**...**
Ecuador h/	52.3	56.8	58.9	57.5	55.6	55.7	55.8	56.6	55.8	56.3	56.8	55.6	54.1	53.8	55.8	**55.5**	**55.7**
El Salvador f/	55.0	52.6	54.2	54.6	55.5	54.1	52.9	53.0	55.7	54.0	54.5	54.8	53.1	55.4	54.0	**...**	**...**
Honduras f/	50.1	48.9	50.7	49.7	50.1	51.5	54.7	55.6	54.8	57.0	...	53.4	52.4	53.5	...	**...**	**...**
Mexico i/	51.8	53.3	53.8	55.2	54.7	55.0	55.4	56.2	56.6	55.8	56.3	55.6	55.1	55.6	56.4	**...**	**...**
Nicaragua j/	...	...	...	48.8	48.3	48.7	46.9	52.2	48.8	...	...	49.8	49.3	53.0	...	**...**	**...**
Panama k/	56.7	58.7	61.9	61.8	62.7	63.1	61.7	63.1	63.9	61.2	60.9	61.4	63.4	63.5	64.2	**...**	**...**
Paraguay l/	60.9	62.2	61.0	62.9	63.9	70.5	66.0	63.7	60.6	58.5	60.6	60.6	60.5	59.2	62.4	**...**	**...**
Peru m/	59.6	55.9	57.1	60.1	59.7	62.4	59.7	64.5	64.6	65.7	63.4	67.1	68.5	67.4	68.0	**68.4**	**67.7**
Uruguay f/	57.0	57.4	57.4	56.7	58.2	59.0	58.2	57.6	60.4	59.3	59.6	60.6	59.1	58.1	58.5	**58.6**	**58.3**
Venezuela d/	59.4	59.8	59.3	57.9	59.0	61.6	62.2	63.8	65.1	66.3	64.6	66.5	68.7	69.1	68.5	**68.8**	**66.0**
THE CARIBBEAN																	
Barbados	67.3	65.2	66.2	66.3	67.4	68.2	67.4	67.5	67.7	67.7	68.5	69.9	69.9	68.5	69.8	**...**	**...**
Jamaica	66.9	68.1	69.1	68.3	69.2	69.0	67.7	66.6	65.6	64.5	63.2	...	65.8	64.3	64.4	**...**	**...**
Trinidad and Tobago	55.9	58.5	60.0	59.5	59.4	60.2	60.5	60.3	61.2	60.8	61.2	60.7	60.7	60.9	63.0	**...**	**...**

Source: ILO, based on information from household surveys of the countries.

a/ Progressive incorporation until reaching 28 urban areas beginning in 2002. New measurement beginning in 2003; data are not comparable with previous years.
b/ Departamental capitals and the city of El Alto. Beginning in 1999, urban area coverage.
c/ Six metropolitan areas. New measurement beginning in 2002; data are not comparable with previous years.
d/ National coverage.
e/ Includes hidden unemployment. Seven metropolitan areas until 1999. Beginning in 2000 thirteen metropolitan areas.
f/ Urban national coverage.
g/ Includes hidden unemployment. National coverage.
h/ Includes hidden unemployment. Urban national coverage until 1998. Beginning in 1999 only includes Quito, Guayaquil and Cuenca.
i/ Progressive incorporation, reaching 32 urban areas beginning in 2003.
j/ Urban national coverage. New measurement beginning in 2003; data are not comparable with previous years.
k/ Includes hidden unemployment. Urban national coverage.
l/ Metropolitan area of Asuncion until 1993. Beginning in 1994 urban national coverage.
m/ Metropolitan Lima. New measurement beginning in 2002; data are not comparable with previous years.

TABLE 5-A

LATIN AMERICA AND THE CARIBBEAN: URBAN EMPLOYMENT-TO-POPULATION RATIOS, 1990-2005

(average annual rates)

Country	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2004 First semester	2005 First semester
LATIN AMERICA																	
Argentina a/	50.3	50.6	50.7	49.8	47.9	46.1	45.5	47.5	48.9	48.6	47.9	45.6	44.6	49.9	52.5	**51.4**	**52.0**
Bolivia b/	47.5	48.5	47.8	49.5	52.0	53.0	54.2	50.2	...	51.9	51.9	55.4	53.0	54.9	...	**...**	**...**
Brazil c/	61.1	58.1	56.6	55.6	56.3	56.6	56.4	55.2	53.8	52.8	53.9	53.0	48.9	50.1	50.6	**50.0**	**50.7**
Chile d/	49.1	49.3	50.9	52.4	51.6	51.2	51.6	51.5	51.6	49.1	48.8	48.1	47.8	48.4	48.5	**48.2**	**49.3**
Colombia e/	52.3	53.4	54.6	55.0	54.6	54.6	53.0	52.5	52.7	50.9	52.6	52.5	52.9	53.7	53.2	**52.4**	**52.9**
Costa Rica f/	50.3	48.7	48.2	49.7	51.0	51.4	48.9	50.8	53.1	52.8	51.9	53.5	52.6	53.0	52.5	**...**	**...**
Dominican Republic d/	...	44.2	46.9	46.0	44.8	43.7	44.4	45.4	45.1	46.1	47.6	47.6	47.2	46.4	...	**...**	**...**
Ecuador g/	49.1	52.0	53.7	52.4	51.3	51.4	50.0	51.3	50.1	47.8	48.8	49.8	49.4	48.6	49.7	**49.3**	**49.5**
El Salvador f/	49.5	48.7	50.5	...	51.6	50.3	49.8	49.0	51.5	50.3	48.9	51.0	49.8	52.0	50.4	**...**	**...**
Honduras f/	46.7	45.4	48.2	46.9	48.1	48.1	51.1	52.7	52.2	54.1	...	50.5	49.3	49.5	...	**...**	**...**
Mexico h/	50.3	51.8	52.3	53.3	52.7	51.6	52.4	54.1	54.7	54.4	55.1	54.2	53.6	53.7	54.3	**...**	**...**
Nicaragua i/	...	...	...	40.1	40.0	40.5	39.4	44.7	42.4	...	...	44.9	43.3	47.6	...	**...**	**...**
Panama f/	45.4	46.9	50.6	52.2	52.8	52.8	51.3	53.4	53.9	52.9	51.6	51.2	53.2	53.4	55.2	**...**	**...**
Paraguay j/	56.9	59.0	57.8	59.7	61.1	66.8	60.6	59.2	56.6	52.3	52.2	50.8	48.4	52.5	56.1	**...**	**...**
Peru k/	54.7	52.6	51.7	54.2	54.4	57.5	55.6	58.0	60.0	61.6	59.7	60.9	62.0	61.2	61.6	**61.5**	**60.6**
Uruguay f/	52.1	52.3	52.2	52.0	52.8	53.0	51.3	51.1	54.3	52.6	51.6	51.4	49.1	48.3	50.9	**50.7**	**51.2**
Venezuela d/	52.8	53.7	54.5	54.0	53.8	55.3	54.8	56.5	57.8	56.4	55.6	57.1	57.9	56.5	58.2	**57.3**	**57.2**
THE CARIBBEAN																	
Barbados	54.7	55.4	54.7	51.1	51.0	53.3	54.1	57.0	57.9	59.4	57.2	62.7	61.4	61.6	62.9	**...**	**...**
Jamaica	50.2	57.7	58.3	57.8	57.9	58.4	56.7	55.9	54.8	54.5	56.2	53.5	56.4	56.6	56.4	**...**	**...**
Trinidad and Tobago	47.1	46.8	48.9	47.8	47.6	49.1	50.1	50.5	52.0	52.2	54.6	54.1	54.6	55.1	57.8	**...**	**...**

Source: ILO, based on information from household surveys of the countries.

a/ Progressive incorporation until reaching 28 urban areas beginning in 2002. New measurement beginning in 2003; data are not comparable with previous years.
b/ Departamental capitals and the city of El Alto. Beginning 1999 urban area.
c/ Six metropolitan regions. New measurement beginning 2002; data are not comparable with previous years.
d/ National coverage.
e/ Seven metropolitan areas until 1999. Beginning 2000 thirteen metropolitan areas.
f/ Urban national coverage.
g/ Urban nacional until 1998. Beginning 1999 includes only Quito, Guayaquil and Cuenca.
h/ Progressive incorporation until reaching 32 urban areas beginning in 2003.
i/ Urban national coverage. New measurement beginning 2003; data are not comparable with previous years.
j/ Metropolitan area of Asuncion until 1993. Beginning 1994 urban national coverage.
k/ Metropolitan Lima. New measurement beginning 2002; data are not comparable with previous years.

TABLE 6-A

LATIN AMERICA AND THE CARIBBEAN: STRUCTURE OF NON-AGRICULTURAL EMPLOYMENT, 1990-2004

(percentages)

Country/Year	Informal Sector				Formal Sector		
	Total	Independent Worker [a/]	Domestic Service	Micro-enterprises [b/]	Total	Public Sector	Small, medium and large private establishments [c/]
LATIN AMERICA							
1990 *Total*	42.8	22.2	5.8	14.7	57.2	14.4	42.9
Men	39.4	21.6	0.5	17.3	60.6		
Women	47.4	23.2	13.8	10.4	52.6		
1995 *Total*	46.1	24.0	7.4	14.8	53.9	15.3	38.6
Men	42.7	23.9	0.8	18.0	57.3		
Women	51.0	24.1	17.0	9.9	49.0		
2000 *Total*	46.9	24.6	6.7	15.6	53.1	13.3	39.8
Men	44.5	25.3	0.6	18.6	55.5		
Women	50.3	23.7	15.4	11.2	49.7		
2002 *Total*	46.5	23.9	6.8	15.8	53.5	13.9	39.7
Men	44.3	24.7	0.7	18.9	55.7		
Women	49.4	22.8	15.2	11.3	50.6		
2003 *Total*	47.4	24.4	7.0	16.0	52.6	13.7	38.9
Men	44.5	24.5	0.7	19.3	55.5		
Women	51.0	24.1	15.4	11.5	49.0		
Argentina							
1991 *Total*	52.0	27.5	5.7	18.8	48.0	19.3	28.7
Men	49.8	28.2	0.5	21.2	50.2		
Women	55.5	26.5	14.3	14.7	44.5		
1998 *Total*	49.3	22.7	6.4	20.3	50.7	12.7	38.0
Men	48.0	24.1	0.3	23.6	52.0		
Women	51.4	20.4	15.8	15.2	48.6		
2002 *Total*	44.5	20.6	5.2	18.6	55.5	22.8	32.8
Men	47.2	25.1	0.0	22.1	52.8	16.4	36.4
Women	40.8	14.7	12.0	14.1	59.2	31.2	28.0
2003 *Total*	46.5	19.5	7.3	19.7	53.5	20.9	32.6
Men	47.2	22.4	0.2	24.5	52.8	16.6	36.2
Women	45.6	15.6	16.7	13.3	54.4	26.5	27.8
2004 *Total*	44.3	17.9	7.4	19.0	55.7	18.4	37.3
Men	43.4	19.7	0.2	23.5	56.6	14.3	42.3
Women	45.4	15.4	17.1	12.9	54.6	24.0	30.6
Brazil							
1990 *Total*	40.6	20.3	6.9	13.5	59.4	11.0	48.4
Men	36.1	19.6	0.5	16.0	63.9		
Women	47.6	21.3	16.7	9.6	52.4		
1995 *Total*	46.5	23.8	9.5	13.2	53.5	15.1	38.4
Men	42.1	25.1	0.9	16.0	57.9	12.5	45.4
Women	52.8	21.8	21.6	9.4	47.2	18.8	28.5
1999 *Total*	47.1	24.0	9.4	13.7	52.9	14.2	38.8
Men	43.8	26.4	0.9	16.4	56.2	11.4	44.9
Women	51.6	20.7	20.9	10.1	48.4	17.9	30.4
2001 *Total*	46.0	22.3	9.5	14.3	54.0	13.7	40.3
Men	42.3	24.5	0.9	16.9	57.7	10.9	46.8
Women	51.0	19.2	21.0	10.8	49.0	17.4	31.6
2003 *Total*	44.6	21.0	9.3	14.3	55.4	13.8	41.7
Men	40.5	22.7	0.9	16.9	59.5	11.0	48.5
Women	49.8	18.8	20.1	10.9	50.2	17.3	32.9
Bolivia							
2002 *Total*	66.7	44.6	4.3	17.8	33.3	11.6	21.7
Men	58.2	34.6	0.2	23.3	41.8	11.8	30.0
Women	76.3	55.8	8.9	11.6	23.7	11.4	12.4
Chile							
1990 *Total*	37.9	20.9	5.4	11.7	62.1	7.0	55.1
Men	33.5	21.3	0.2	12.0	66.5		
Women	45.9	20.1	14.7	11.1	54.1		
1996 *Total*	38.8	18.9	7.1	12.8	61.2	11.8	49.4
Men	34.0	19.9	0.3	13.7	66.0		
Women	46.3	17.4	17.7	11.2	53.7		

(continued...)

TABLE 6-A *(continued)*

LATIN AMERICA AND THE CARIBBEAN: STRUCTURE OF NON-AGRICULTURAL EMPLOYMENT, 1990-2004

(percentages)

Country/Year	Informal Sector: Total	Independent Worker [a]	Domestic Service	Micro-enterprises [b]	Formal Sector: Total	Public Sector	Small, medium and large private establishments [c]
2000 *Total*	38.0	19.7	5.9	12.5	62.0	10.8	51.2
Men	34.3	20.8	0.1	13.5	65.7	8.6	57.0
Women	44.5	17.8	16.0	10.7	55.5	14.6	40.9
2003 *Total*	35.8	21.5	6.2	11.1	61.2	10.7	50.6
Men	35.1	22.7	0.2	12.1	64.9	8.8	56.1
Women	45.0	19.4	16.2	9.4	55.0	13.8	41.3
Colombia							
1990 *Total*	45.7	24.1	2.0	19.5	54.3	9.6	44.7
Men	45.1	22.6	0.1	22.3	54.9		
Women	46.6	26.3	5.0	15.2	53.4		
2000 *Total*	55.6	32.2	5.3	18.1	44.4	7.0	37.3
Men	54.7	32.6	0.5	21.6	45.3	6.1	39.1
Women	56.7	31.8	11.2	13.7	43.3	8.1	35.1
2003 *Total*	61.4	38.7	6.3	16.5	38.6	7.7	30.9
Men	59.0	38.6	0.5	19.9	41.0	7.0	34.0
Women	64.2	38.7	12.8	12.6	35.8	8.4	27.4
2004 *Total*	59.9	37.6	5.8	16.6	40.1	7.7	32.4
Men	57.8	37.5	0.4	19.9	42.2	7.2	35.0
Women	62.2	37.7	11.8	12.8	37.8	8.2	29.5
Costa Rica							
1990 *Total*	41.2	18.9	5.8	16.4	58.8	22.0	36.8
Men	37.7	19.1	0.3	18.3	62.3		
Women	47.5	18.6	15.8	13.1	52.5		
1995 *Total*	43.3	18.5	5.0	19.7	56.7	17.4	39.3
Men	40.4	17.8	0.3	22.3	59.6		
Women	48.3	19.9	13.3	15.1	51.7		
2000 *Total*	45.2	19.7	6.0	19.5	54.8	16.4	38.5
Men	42.2	20.1	0.5	21.6	57.8	15.0	42.8
Women	50.1	18.9	15.1	16.1	49.9	18.7	31.2
2002 *Total*	44.8	19.2	5.1	20.5	55.2	15.9	39.3
Men	40.6	17.0	0.5	23.1	59.4	13.1	46.3
Women	51.3	22.5	12.3	16.5	48.7	20.2	28.6
2003 *Total*	43.4	18.1	5.3	20.2	56.6	15.6	41.0
Men	39.2	15.5	0.6	23.1	60.8	12.6	48.2
Women	49.8	22.0	12.6	15.2	50.2	20.4	29.8
2004 *Total*	41.8	18.5	4.6	18.6	58.2	16.6	41.6
Men	38.5	16.4	0.7	21.5	61.5	13.5	48.0
Women	47.1	22.1	11.0	14.1	52.9	21.6	31.2
Dominican Republic							
2000 *Total*	47.0	31.7	5.0	10.3	53.0	13.2	39.8
Men	47.0	35.5	0.7	10.8	53.1	11.8	41.3
Women	47.0	25.7	11.7	9.6	53.0	15.5	37.5
2001 *Total*	49.0	33.6	4.8	10.6	51.0	13.9	37.1
Men	49.1	37.2	1.0	11.0	50.9	11.9	39.1
Women	48.8	27.8	10.9	10.1	51.2	17.2	34.0
2002 *Total*	49.0	33.7	5.4	9.9	51.1	14.2	36.8
Men	48.5	37.4	1.0	10.1	51.5	13.2	38.3
Women	49.6	28.0	12.1	9.6	50.4	15.8	34.6
2003 *Total*	48.8	33.7	5.3	9.8	51.2	14.4	36.8
Men	49.4	38.6	0.8	10.0	50.7	12.4	38.2
Women	47.9	26.1	12.4	9.4	52.1	17.5	34.6
2004 *Total*	49.5	32.5	5.7	11.3	50.5	13.0	37.4
Men	49.8	36.9	1.0	11.9	50.2	11.3	38.9
Women	49.1	25.4	13.4	10.3	50.9	15.9	35.0

(continued...)

TABLE 6-A *(continued)*

LATIN AMERICA AND THE CARIBBEAN: STRUCTURE OF NON-AGRICULTURAL EMPLOYMENT, 1990-2004

(percentages)

Country/Year		Informal Sector				Formal Sector		
		Total	Independent Worker [a/]	Domestic Service	Micro-enterprises [b/]	Total	Public Sector	Small, medium and large private establishments [c/]
Ecuador								
1990	*Total*	55.6	35.4	5.0	15.3	44.4	18.7	25.7
	Men	51.7	32.6	0.7	18.4	48.3		
	Women	62.1	39.9	12.1	10.1	37.9		
1995	*Total*	63.7	33.6	5.2	25.0	36.3	14.2	22.0
	Men	60.0	29.6	0.7	29.8	40.0		
	Women	69.2	39.4	11.8	17.9	30.8		
2000	*Total*	55.1	34.6	5.2	15.3	44.9	11.9	32.9
	Men	51.6	32.1	0.8	18.6	48.4	11.0	37.5
	Women	60.4	38.1	11.7	10.5	39.6	13.4	26.3
2002	*Total*	55.0	33.5	5.1	16.5	45.0	12.7	32.3
	Men	50.3	29.6	0.8	19.9	49.7	12.1	37.6
	Women	62.2	39.3	11.5	11.3	37.8	13.6	24.3
2003	*Total*	56.5	31.9	5.2	19.4	43.5	12.6	30.9
	Men	52.4	28.2	0.4	23.8	47.6	12.2	35.4
	Women	62.1	36.9	11.2	13.4	37.9	13.2	24.7
2004	*Total*	57.6	32.9	4.4	20.4	42.4	11.7	30.7
	Men	52.9	27.5	0.4	25.0	47.1	11.5	35.6
	Women	63.9	40.1	9.6	14.1	36.1	12.1	24.0
El Salvador								
2002	*Total*	51.8	32.0	5.3	14.5	48.2	10.3	36.6
	Men	40.7	19.4	1.0	20.3	59.3	11.4	46.3
	Women	63.3	45.0	9.7	8.6	36.7	9.2	26.7
2003	*Total*	54.3	32.1	5.7	16.4	45.7	10.0	35.4
	Men	44.2	20.3	1.3	22.6	55.8	11.2	44.0
	Women	64.8	44.3	10.3	10.1	35.2	8.7	26.5
Honduras								
1990	*Total*	57.6	37.3	7.1	13.3	42.4	14.9	27.5
	Men	45.1	25.7	0.5	18.9	54.9		
	Women	72.0	50.5	14.6	6.9	28.0		
1995	*Total*	57.1	35.5	5.6	16.0	42.9	12.6	30.2
	Men	49.1	25.2	0.9	23.1	50.9		
	Women	66.3	47.4	11.1	7.8	33.7		
1999	*Total*	60.7	39.6	5.5	15.6	39.3	10.1	29.2
	Men	53.3	28.6	0.7	23.9	46.7	9.4	37.3
	Women	67.6	49.8	9.9	7.9	32.4	10.6	21.7
2002	*Total*	56.4	37.5	4.2	14.5	43.5	9.1	34.4
	Men	50.0	29.7	0.5	19.7	49.9	8.2	41.6
	Women	63.2	46.0	8.1	9.0	36.7	10.1	26.5
2003	*Total*	59.4	40.8	4.8	13.8	40.6	9.0	31.6
	Men	52.5	31.3	1.0	20.2	47.5	8.0	39.6
	Women	66.6	50.6	8.8	7.2	33.4	10.1	23.3
Mexico								
1990	*Total*	38.4	19.0	4.6	14.8	61.6	19.4	42.3
	Men	37.6	19.1	0.7	17.8	62.4		
	Women	39.9	18.7	12.0	9.2	60.1		
1995	*Total*	43.2	20.9	5.3	17.0	56.8	16.1	40.7
	Men	42.1	19.9	1.1	21.1	57.9		
	Women	45.1	22.6	12.6	9.9	54.9		
2000	*Total*	39.2	18.3	3.7	17.2	60.8	14.5	46.4
	Men	38.4	17.5	0.2	20.7	61.6	12.5	49.1
	Women	40.5	19.6	9.6	11.3	59.5	17.9	41.6
2002	*Total*	41.0	19.5	4.3	17.3	59.0	14.0	45.0
	Men	40.8	19.0	0.8	21.0	59.2	11.8	47.4
	Women	41.4	20.3	10.1	11.0	58.6	17.7	40.8
2003	*Total*	41.8	19.5	4.4	17.9	58.2	14.2	44.0
	Men	41.4	18.9	0.9	21.6	58.6	12.1	46.5
	Women	42.5	20.6	10.5	11.4	57.5	17.8	39.6

(continued...)

TABLE 6-A *(continued)*

LATIN AMERICA AND THE CARIBBEAN: STRUCTURE OF NON-AGRICULTURAL EMPLOYMENT, 1990-2004

(percentages)

Country/Year	Informal Sector				Formal Sector		
	Total	Independent Worker [a/]	Domestic Service	Micro-enterprises [b/]	Total	Public Sector	Small, medium and large private establishments [c/]
Nicaragua							
2002 *Total*	54.4	31.9	0.0	22.5	45.6	12.8	32.8
Hombres	52.6	31.0	0.0	21.6	47.4	12.0	35.4
Women	56.3	32.9	0.0	23.4	43.7	13.7	29.9
2003 *Total*	58.0	34.0		24.0	42.0	11.7	30.3
Hombres	54.7	30.1		24.6	45.3	10.6	34.7
Women	61.3	38.0		23.3	38.7	12.8	25.9
Panama							
1991 *Total*	36.0	19.8	7.9	8.3	64.0	32.0	32.0
Hombres	34.6	23.8	1.0	9.7	65.4		
Women	38.0	14.0	17.8	6.3	62.0		
1995 *Total*	37.1	20.5	7.6	9.0	62.9	25.9	37.0
Hombres	35.2	23.4	1.5	10.3	64.8		
Women	40.0	16.1	16.9	7.0	60.0		
2000 *Total*	37.3	22.2	6.8	8.3	62.7	21.8	40.9
Hombres	36.0	25.2	1.6	9.3	64.0	19.0	45.0
Women	39.1	17.6	14.7	6.8	60.9	26.1	34.8
2002 *Total*	42.6	24.4	7.1	11.1	57.4	20.4	37.0
Hombres	41.2	26.4	1.4	13.3	58.8	17.9	40.9
Women	44.6	21.3	15.3	7.9	55.4	24.1	31.3
2003 *Total*	42.6	24.7	7.1	10.7	57.4	20.5	36.9
Men	40.9	26.8	1.4	12.7	59.1	18.0	41.1
Women	45.0	21.7	15.4	8.0	55.0	24.2	30.8
2004 *Total*	41.6	24.8	7.1	9.6	58.4	19.5	38.9
Men	38.5	25.6	1.4	11.5	61.5	17.0	44.5
Women	46.0	23.7	15.2	7.1	54.0	22.9	31.1
Paraguay							
1999 *Total*	58.1	27.7	9.6	20.7	41.9	12.3	29.6
Men	49.7	23.1	0.9	25.7	50.3	12.7	37.6
Women	69.1	33.8	21.1	14.2	30.9	11.8	19.0
2002 *Total*	60.9	30.9	10.6	19.4	39.1	13.2	25.9
Men	55.5	27.9	1.7	25.9	44.5	13.3	31.2
Women	67.7	34.7	21.9	11.1	32.3	13.1	19.3
2003 *Total*	61.7	30.0	11.8	19.9	38.3	13.0	25.2
Men	56.3	27.5	1.9	26.9	43.7	12.2	31.5
Women	68.6	33.3	24.1	11.2	31.4	14.1	17.3
2004 *Total*	62.9	31.0	11.2	20.6	37.1	11.7	25.4
Men	57.5	28.2	2.0	27.3	42.5	10.8	31.7
Women	69.8	34.7	23.0	12.1	30.2	12.9	17.3
Peru							
1991 *Total*	52.7	33.4	4.9	14.5	47.3	11.6	35.7
Men	46.3	28.9	0.6	16.9	53.7		
Women	62.9	40.4	11.6	10.8	37.1		
1995 *Total*	55.1	33.0	4.8	17.3	44.9	9.3	35.6
Men	48.8	26.9	0.5	21.4	51.2		
Women	64.1	41.8	11.0	11.4	35.9		
2000 *Total*	59.2	36.4	5.4	17.4	40.8	7.8	33.0
Men	53.2	31.6	0.4	21.0	46.8	7.8	39.0
Women	67.0	42.4	11.9	12.7	33.0	7.9	25.1
2002 *Total*	56.2	36.5	5.4	14.3	43.8	9.1	34.7
Men	51.9	33.1	0.6	18.2	48.1	8.6	39.5
Women	61.9	41.0	11.8	9.1	38.1	9.8	28.3
2003 *Total*	55.9	34.5	5.7	15.8	44.1	7.9	36.2
Men	51.0	31.0	0.5	19.5	49.0	7.7	41.3
Women	62.2	38.9	12.4	11.0	37.8	8.2	29.6

(continued...)

TABLE 6-A *(continued)*

LATIN AMERICA AND THE CARIBBEAN: STRUCTURE OF NON-AGRICULTURAL EMPLOYMENT, 1990-2004

(percentages)

Country/Year	Informal Sector				Formal Sector		
	Total	Independent Worker a/	Domestic Service	Micro-enterprises b/	Total	Public Sector	Small, medium and large private establishments c/
2004 *Total*	58.0	36.6	5.5	15.9	42.0	7.9	34.2
Men	53.0	34.5	0.4	18.2	47.0	8.6	38.4
Women	65.1	39.6	13.0	12.6	34.9	6.8	28.1
Uruguay							
1991 *Total*	39.1	18.6	6.8	13.7	60.9	20.1	40.8
Men	33.7	18.6	0.2	15.0	66.3		
Women	46.6	18.5	16.2	11.8	53.4		
1995 *Total*	43.3	21.9	7.4	13.9	56.7	20.0	36.7
Men	38.4	21.9	0.2	16.3	61.6		
Women	49.7	21.9	17.0	10.8	50.3		
1999 *Total*	38.8	19.8	7.6	11.4	61.2	17.1	44.0
Men	35.7	22.7	0.2	12.7	64.3	16.7	47.6
Women	43.0	16.0	17.2	9.8	57.0	17.7	39.3
2000 *Total*	38.8	19.0	9.6	10.3	61.2	18.0	43.1
Men	35.3	21.7	1.8	11.9	64.7	17.8	46.9
Women	43.4	15.5	19.6	8.3	56.6	18.4	38.2
2001 *Total*	37.7	16.5	9.2	12.0	62.3	17.5	44.8
Men	35.4	19.7	1.1	14.5	64.6	17.1	47.5
Women	40.7	12.5	19.6	8.7	59.3	18.0	41.3
2002 *Total*	38.6	17.4	9.3	11.9	61.4	18.7	42.7
Men	37.0	21.2	1.3	14.4	63.0	18.2	44.8
Women	40.6	12.5	19.5	8.6	59.4	19.3	40.1
2003 *Total*	39.1	17.6	9.9	11.6	60.9	18.9	42.0
Men	37.1	21.5	1.7	13.9	62.9	18.3	44.5
Women	41.6	12.6	20.4	8.6	58.4	19.6	38.9
2004 *Total*	37.7	17.2	9.1	11.5	62.3	18.9	43.4
Men	35.1	19.8	1.2	14.1	64.9	18.2	46.7
Women	41.0	13.8	19.0	8.2	59.0	19.7	39.3
Venezuela							
1990 *Total*	38.6	22.3	3.9	12.4	61.4	22.3	39.1
Men	38.3	22.0	0.4	15.9	61.7		
Women	39.3	22.8	10.4	6.1	60.7		
1995 *Total*	44.5	28.1	2.4	14.0	55.5	19.9	35.7
Men	45.3	28.1	0.1	17.1	54.7		
Women	43.0	28.0	6.4	8.6	57.0		
2000 *Total*	50.6	34.5	2.3	13.8	49.4	16.1	33.3
Men	49.2	32.1	0.2	17.0	50.8	11.8	38.9
Women	52.7	38.1	5.6	9.0	47.3	22.6	24.7
2002 *Total*	51.8	32.0	2.9	17.0	48.2	15.3	32.9
Men	49.2	28.0	0.2	21.0	50.8	11.4	39.4
Women	55.4	37.4	6.6	11.4	44.6	20.7	23.9
2003 *Total*	53.6	33.0	3.0	17.6	46.4	15.9	30.5
Men	51.7	29.5	0.2	22.0	48.3	11.7	36.6
Women	56.3	37.8	6.8	11.6	43.7	21.5	22.3
2004 *Total*	52.2	31.1	3.0	18.1	47.8	16.3	31.4
Men	50.5	27.7	0.1	22.7	49.5	11.8	37.7
Women	54.6	35.8	6.9	11.9	45.4	22.5	22.9

Source: ILO estimates based on household survey data of the countries and other official sources. Argentina (2003 and 2004, 28 urban areas, fourth quarter), Bolivia (urban national coverage, PNAD), Brazil (urban national coverage), Chile (national coverage), Colombia (urban national coverage, second quarter), Costa Rica (national coverage), Dominican Republic (national coverage), Ecuador (urban national coverage), El Salvador (national coverage), Honduras (national coverage), México (urban national coverage - 32 urban areas), Nicaragua (2002 urban national coverage, 2003 national coverage), Panama (national coverage), Paraguay (urban national coverage) Peru (Metropolitan Lima), Uruguay (1991 and 1995 Montevideo, beginning in 1999 urban national coverage) and Venezuela (national coverage 1990-2002, 2003 and 2004 first semester).

a/ Includes self-employed workers (except administrative, professional and technical workers) and family workers.

b/ Employed persons working in establishments with a maximum of 5 workers.

c/ Includes establishments with six or more employed persons.

TABLE 7-A

LATIN AMERICA: WAGE AND SALARIED WORKERS WITH SOCIAL PROTECTION COVERAGE, BY SEX, AS A PERCENTAGE OF THE TOTAL, 1990 - 2004

(percentages)

Country/Year		Informal Sector			Formal Sector [b]	Total
		Total	Domestic Service	Small Establishments [a]		
Argentina [c]						
1990	*Total*	24.9	7.8	38.1	86.2	61.9
	Men	34.8	25.5	35.0	83.0	70.0
	Women	24.9	6.8	34.3	86.2	61.9
2000	*Total*	21.7	6.3	26.4	70.9	55.8
	Men	25.9	0.0	26.0	71.3	59.1
	Women	17.3	6.4	27.2	70.3	51.4
2002	*Total*	22.7	7.1	26.9	64.6	52.3
	Men	27.3	0.0	27.3	64.5	53.8
	Women	17.6	7.1	26.1	64.9	50.5
2003	*Total*	17.4	4.0	23.0	64.0	48.2
	Men	21.3	29.3	21.2	67.7	53.0
	Women	13.3	3.5	27.5	59.2	42.4
2004	*Total*	17.5	4.5	23.7	66.8	51.5
	Men	23.0	0.0	23.2	67.7	55.9
	Women	12.5	4.5	24.8	65.5	45.9
Bolivia [c]						
2002	*Total*	6.5	5.5	6.8	46.3	31.1
	Men	5.7	8.1	5.6	41.9	29.5
	Women	7.6	5.4	9.7	54.9	33.5
Brazil [d]						
1990	*Total*	38.7	24.9	45.8	86.1	74.0
	Men	43.9	44.0	43.9	85.4	76.9
	Women	33.8	24.1	50.6	87.5	69.5
1995	*Total*	27.7	20.5	34.4	82.9	66.5
	Men	30.8	39.5	30.0	81.6	70.9
	Women	25.6	19.1	44.6	85.0	61.0
1999	*Total*	32.3	27.1	36.8	82.0	67.0
	Men	32.5	44.0	31.4	80.2	69.8
	Women	32.0	25.8	48.6	84.7	63.7
2002	*Total*	32.4	28.1	36.0	82.2	67.2
	Men	31.7	42.0	30.7	81.0	70.1
	Women	32.9	27.1	46.6	84.1	63.9
2003	*Total*	34.2	29.7	37.9	83.8	69.2
	Men	32.9	40.4	32.4	82.6	72.1
	Women	35.1	29.1	48.1	85.5	65.9
Chile [e]						
1990	*Total*	59.0	51.7	63.6	86.3	79.9
	Men	63.3	66.7	63.3	86.7	83.1
	Women	55.9	51.4	64.3	85.6	74.8
1996	*Total*	56.4	46.7	62.9	87.6	67.0
	Men	60.2	52.1	60.5	87.7	83.4
	Women	53.9	46.6	67.3	87.4	75.6
2000	*Total*	50.9	53.8	44.9	81.2	62.8
	Men	52.3	52.1	70.1	81.1	63.8
	Women	49.7	57.4	44.5	81.5	61.0
2003	*Total*	48.9	46.6	50.5	83.3	76.4
	Men	49.5	74.9	48.9	83.7	79.0
	Women	48.5	45.9	54.1	82.6	72.2
Colombia [f]						
1990	*Total*	25.7	12.5	27.1	77.2	62.6
	Men	25.1	51.3	25.0	74.8	60.4
	Women	26.7	10.8	32.0	81.1	66.1
2000	*Total*	31.6	31.2	31.8	82.2	66.1
	Men	29.4	38.1	29.2	80.5	65.8
	Women	33.5	30.8	36.3	84.3	66.4
2003	*Total*	25.0	24.0	25.6	82.3	62.5
	Men	24.3	40.9	23.7	80.5	64.6
	Women	25.6	23.3	28.5	84.7	60.3
2004	*Total*	27.5	25.6	28.4	83.9	65.2
	Men	24.9	31.4	24.7	82.5	66.5
	Women	29.4	25.3	34.1	85.6	63.8

(continued...)

TABLE 7-A *(continued)*

LATIN AMERICA: WAGE AND SALARIED WORKERS WITH SOCIAL PROTECTION COVERAGE, BY SEX, AS A PERCENTAGE OF THE TOTAL, 1990 - 2004

(percentages)

Country/Year		Informal Sector			Formal Sector [b]	Total
		Total	Domestic Service	Small Establishments [a]		
Costa Rica [f]						
1990	*Total*	51.7	40.0	55.9	88.6	78.5
	Men	55.2	59.5	55.2	88.4	80.8
	Women	47.6	39.3	57.7	89.0	74.3
1995	*Total*	49.3	35.6	53.7	90.4	79.0
	Men	50.7	31.7	51.1	90.1	80.8
	Women	47.5	35.8	59.9	90.9	76.1
2000	*Total*	46.7	38.7	49.9	86.5	74.9
	Men	47.9	38.5	48.1	86.3	77.2
	Women	45.7	38.7	63.2	87.0	71.5
2002	*Total*	44.5	34.9	47.2	88.3	75.5
	Men	45.6	58.1	45.3	87.2	76.2
	Women	43.1	33.6	51.9	90.4	74.1
2003	*Total*	43.7	35.7	46.1	86.7	74.4
	Men	44.1	41.8	44.2	85.4	74.5
	Women	43.2	35.2	51.9	89.3	74.3
2004	*Total*	43.3	32.4	46.6	89.4	79.9
	Men	45.0	64.1	44.6	88.0	80.4
	Women	41.5	30.8	50.4	91.9	79.0
Ecuador [e]						
1990	*Total*	17.7	17.8	23.6	72.1	55.1
	Men	16.3	20.8	16.1	71.1	55.5
	Women	19.7	17.5	32.8	74.4	54.2
2000	*Total*	14.1	17.1	12.9	48.9	39.2
	Men	12.0	31.1	10.9	47.5	38.3
	Women	16.6	15.5	18.0	50.9	40.4
2002	*Total*	12.4	9.8	13.5	61.3	46.7
	Men	11.1	20.3	10.6	58.6	46.2
	Women	13.9	8.7	21.0	66.4	47.4
2003	*Total*	14.8	11.3	16.0	63.4	46.8
	Men	13.2	8.3	13.3	61.3	46.3
	Women	16.8	11.5	23.0	67.0	47.7
2004	*Total*	14.2	14.2	14.2	63.4	47.1
	Men	11.3	23.8	11.0	60.8	45.5
	Women	17.9	13.7	21.9	67.8	49.4
El Salvador [c]						
1990	*Total*	4.2	...	5.6	67.8	47.4
	Men	3.2	...	3.4	61.3	43.3
	Women	5.6	...	13.0	79.1	54.3
Mexico [f]						
1990	*Total*	12.7	4.2	15.3	72.9	58.5
	Men	12.9	20.7	12.6	70.7	57.6
	Women	12.3	2.5	25.0	77.2	60.3
1995	*Total*	16.2	16.1	16.3	80.7	69.1
	Men	14.0	23.6	13.4	79.3	64.5
	Women	19.3	15.0	25.6	83.0	78.1
2000	*Total*	14.1	11.7	14.8	82.1	66.4
	Men	12.4	14.7	12.3	81.5	66.4
	Women	16.6	11.6	21.6	83.1	66.4
2002	*Total*	11.8	9.0	12.6	82.6	65.2
	Men	10.5	16.3	10.2	82.1	65.0
	Women	13.8	8.0	20.1	83.3	65.6
2003	*Total*	11.3	9.2	11.9	81.2	63.4
	Men	10.2	18.7	9.8	80.8	63.4
	Women	12.9	7.9	18.3	81.8	63.4
Nicaragua [f]						
2003	*Total*	5.9	3.8	8.1	50.5	40.3
	Men	7.3	9.5	6.9	40.9	35.1
	Women	4.8	2.9	13.0	68.2	48.2

(continued...)

TABLE 7-A *(continued)*

LATIN AMERICA: WAGE AND SALARIED WORKERS WITH SOCIAL PROTECTION COVERAGE, BY SEX, AS A PERCENTAGE OF THE TOTAL, 1990 - 2004

(percentages)

Country/Year		Informal Sector			Formal Sector [b]	Total
		Total	Domestic Service	Small Establishments [a]		
Panama [f]						
2002	*Total*	29.5	30.6	28.9	87.6	74.3
	Men	25.4	37.2	24.6	85.2	73.5
	Women	34.3	29.8	45.7	91.5	76.1
2003	*Total*	31.6	31.5	31.6	87.0	73.2
	Men	26.1	38.9	25.0	84.8	71.9
	Women	37.7	30.6	53.7	90.8	75.2
2004	*Total*	30.3	34.4	27.6	85.2	72.7
	Men	22.8	43.6	20.6	82.2	70.9
	Women	37.9	33.2	49.6	90.2	75.2
Paraguay [g]						
2001	*Total*	4.4	1.3	6.5	48.3	29.1
	Men	5.1	2.4	5.3	44.8	30.0
	Women	3.8	1.2	10.1	54.5	27.9
2003	*Total*	4.8	2.8	6.4	48.2	28.8
	Men	6.8	7.8	6.7	43.5	29.9
	Women	3.1	2.3	5.2	56.8	27.4
2004	*Total*	4.3	1.9	6.0	45.3	26.5
	Men	4.2	3.7	4.2	39.5	25.9
	Women	4.4	1.7	10.7	55.8	27.3
Peru [e]						
1990	*Total*	22.1	17.3	23.6	66.6	53.6
	Men	20.3	31.3	19.9	66.3	55.1
	Women	24.2	16.3	32.8	67.2	51.0
1995	*Total*	14.6	8.6	16.8	65.8	55.1
	Men	15.2	4.9	15.6	67.2	54.7
	Women	13.8	8.8	19.7	63.0	55.9
2000	*Total*	15.4	16.8	14.8	67.7	50.0
	Men	10.7	14.6	10.6	66.8	51.0
	Women	20.0	16.9	23.6	69.4	48.5
2002	*Total*	16.6	14.3	17.8	65.8	51.6
	Men	13.6	8.5	13.8	65.8	53.2
	Women	19.4	14.7	27.3	65.8	49.4
2003	*Total*	13.8	20.5	10.6	66.3	50.2
	Men	9.2	6.8	9.3	65.4	51.8
	Women	17.6	21.2	12.9	67.7	48.2
2004	*Total*	14.9	16.8	14.1	63.9	48.3
	Men	13.0	30.3	12.6	64.4	51.9
	Women	16.5	16.3	16.7	63.1	43.1
Uruguay [g]						
2001	*Total*	41.9	33.4	48.7	90.0	77.6
	Men	44.7	65.8	43.2	88.8	80.4
	Women	39.9	31.3	60.4	91.7	74.3
2002	*Total*	59.3	32.9	67.3	96.3	77.1
	Men	63.2	66.5	63.1	95.8	79.7
	Women	55.2	30.1	75.1	96.8	74.1
2003	*Total*	38.2	30.9	44.5	88.7	75.0
	Men	40.6	60.2	38.6	86.9	77.4
	Women	36.6	28.3	57.0	91.1	72.2
2004	*Total*	32.9	26.2	38.2	87.0	73.1
	Men	34.6	55.7	33.1	85.4	75.4
	Women	31.7	24.3	49.9	89.3	70.3

(continued...)

TABLE 7-A *(continued)*

LATIN AMERICA: WAGE AND SALARIED WORKERS WITH SOCIAL PROTECTION COVERAGE, BY SEX, AS A PERCENTAGE OF THE TOTAL, 1990 - 2004

(percentages)

Country/Year		Informal Sector			Formal Sector [b]	Total
		Total	Domestic Service	Small Establishments [a]		
Venezuela [f]						
1995	*Total*	22.7	17.6	23.6	81.0	70.6
	Men	20.7	29.8	20.6	78.2	64.9
	Women	26.9	17.1	35.4	85.8	81.7
2000	*Total*	28.1	30.3	27.6	81.3	69.9
	Men	23.5	42.4	23.2	78.2	66.9
	Women	34.6	29.8	38.2	86.1	74.5
2002	*Total*	17.2	22.1	16.1	73.3	58.4
	Men	13.2	26.9	13.0	69.4	55.1
	Women	22.7	21.9	23.2	79.2	63.3
2003	*Total*	17.2	23.0	15.9	74.7	58.7
	Men	13.5	39.6	13.1	71.0	55.3
	Women	22.4	22.4	22.4	80.1	63.6
2004	*Total*	16.9	23.2	15.5	72.2	57.0
	Men	12.7	38.8	12.5	69.5	54.3
	Women	22.5	22.8	22.3	76.0	60.9

Source: ILO estimates based on household survey data of the countries and other official sources. Argentina (2003 and 2004, 28 urban areas, fourth quarter), Bolivia (urban national coverage), Brazil (urban national coverage), Chile (national coverage), Colombia (urban national coverage, second quarter), Costa Rica (national coverage), Ecuador (urban national coverage), El Salvador (national coverage), Honduras (national coverage), Mexico (urban national coverage - 32 areas), Nicaragua (2002 urban national coverage, 2003 national coverage), Panama (urban national coverage), Paraguay (urban national coverage), Peru (Metropolitan Lima), Uruguay (1991 and 1995 Montevideo, beginning in 1999 urban national coverage) and Venezuela (national coverage 1990-2002, 2003 and 2004 first quarter).

a/ Employed persons in establishments with a maximum of five workers.
b/ Includes the public sector and establishments with six or more employed persons.
c/ Health coverage.
d/ Contributors to social security.
e/ Affiliated to a social security system (public or private).
f/ Health and pension coverage.
g/ Affiliated to a pension or retirement system.

TABLE 8-A

LATIN AMERICA: REAL MANUFACTURING WAGES, 1990-2005

(index 1990 = 100)

Country	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2004 First semester f/	2005 First semester f/
Argentina a/	100.0	101.4	102.6	101.0	98.9	97.7	98.2	94.5	93.9	94.4	95.8	94.3	76.3	82.2	99.5	**28.1**	**3.9**
Bolivia b/	100.0	99.1	100.1	101.5	110.5	108.8	109.1	117.7	120.5	127.7	130.3	132.5	139.3	...	...		
Brazil c/	100.0	94.0	101.7	112.4	117.3	128.4	132.8	137.4	140.3	135.3	133.2	135.1	132.6	127.8	137.5	**9.6**	**1.8**
Chile c/	100.0	106.7	111.7	115.7	121.5	128.5	132.9	138.8	142.0	143.7	144.2	144.8	146.6	148.1	150.0	**2.8**	**1.3**
Colombia d/	100.0	98.1	100.6	106.8	110.0	113.3	115.9	120.7	120.9	126.2	131.0	130.7	134.5	134.3	135.7	**1.1**	**1.1**
Costa Rica c/	100.0	96.7	97.3	112.1	114.6	112.0	110.2	115.0	119.1	124.3	137.0	137.2	146.7	144.5	...		
Ecuador c/	100.0	104.6	113.5	127.7	139.0	152.9	161.2	157.5	151.2	138.7	132.1	134.7	161.0	151.7	160.8	**4.5**	**-7.8**
Honduras c/	100.0	98.0	112.7	143.6	108.9	100.7	93.9	96.5	99.7	119.5	...	...	...	...			
Mexico c/	100.0	106.5	114.3	124.5	129.7	113.4	102.2	101.6	104.4	106.0	112.4	119.9	122.2	123.8	123.9	**0.9**	**-0.2**
Panama c/	...	100.0	109.0	107.3	106.7	101.9	112.8	109.6	116.5	121.5	138.3	139.5	137.3	134.9	...		
Paraguay a/	100.0	95.4	91.6	91.5	93.3	98.5	99.1	99.0	99.2	95.3	98.8	103.1	98.4	95.9	93.0		
Peru e/	100.0	118.3	113.6	111.0	131.3	126.4	123.1	123.0	116.4	115.2	118.8	116.2	110.3	119.3	...		
Uruguay c/	100.0	104.5	106.0	111.7	110.9	104.2	103.0	102.6	103.6	103.5	102.2	100.4	89.0	78.8	78.3	**7.1**	**8.6**
Venezuela c/	100.0	91.4	87.1	82.2	85.8	80.7	68.1	85.5	90.1	81.5	83.2	84.6	77.9	64.5	61.0	**-6.5**	**-2.2**

***Source*:** ILO, based on official country data.

a/ Nonsupervisory worker manufacturing wage.
b/ Nonsupervisory worker manufacturing wage. La Paz.
c/ Manufacturing industry earnings.
d/ Manufacturing industry earnings including coffee threshing.
e/ Nonsupervisory worker manufacturing wage, Metropolitan Lima.
f/ Corresponds to the annualized growth rate of the first semester.

TABLE 9-A

LATIN AMERICA: REAL URBAN MINIMUM WAGES, 1990-2005

(index 1990 = 100)

Country	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2004 First semester [f/]	2005 First semester [f/]
Argentina [a/]	100.0	131.8	112.8	174.4	202.0	195.5	195.2	194.2	192.4	194.7	196.6	198.7	160.0	165.1	255.1	**69.5**	**26.3**
Bolivia [a/]	100.0	163.4	164.0	178.9	196.9	193.2	185.8	191.0	222.6	232.4	246.5	273.4	291.2	288.3	276.1	**-4.2**	**-5.3**
Brazil [a/]	100.0	117.0	102.0	115.3	109.7	121.1	120.5	124.3	128.5	130.4	134.0	148.8	155.0	159.5	164.9	**5.7**	**2.9**
Chile [a/]	100.0	109.0	113.8	119.4	123.9	129.3	134.6	139.4	147.7	160.9	172.5	179.1	184.3	186.5	191.7	**3.8**	**1.2**
Colombia [a/]	100.0	97.9	96.3	98.9	97.2	96.9	95.1	97.1	97.0	101.4	102.1	104.0	105.7	106.0	107.9	**1.8**	**1.4**
Costa Rica [b/]	100.0	97.1	91.9	97.1	99.3	95.9	95.9	99.7	102.9	105.6	104.9	105.6	105.9	106.4	104.5	**-1.6**	**-0.1**
Dominican Republic [b/]	100.0	95.6	117.6	111.6	118.6	119.2	120.4	118.4	127.3	127.2	125.5	133.2	131.8	119.8	96.9 [e/]	**...**	**...**
Ecuador [a/]	100.0	87.0	87.1	100.0	115.9	137.5	150.8	145.6	134.9	120.5	116.2	129.5	131.1	138.9	142.1	**1.5**	**3.9**
El Salvador [b/]	100.0	93.0	91.9	90.8	89.1	90.3	86.1	82.5	85.2	87.2	85.2	81.9	80.5	82.2	81.1	**-2.6**	**-4.6**
Guatemala [b/]	...	100.0	104.0	91.7	90.2	103.7	102.7	93.9	98.7	102.4	107.1	115.5	115.8	125.2	124.1	**-6.3**	**7.3**
Haiti [a/]	100.0	93.8	78.0	60.1	43.2	81.2	67.3	57.9	51.4	47.3	41.7	43.0	...	...	...	**...**	**...**
Honduras [b/]	100.0	92.9	104.1	107.0	93.6	88.6	92.5	90.6	91.9	89.2	91.9	94.2	96.5	104.8	105.6	**-1.3**	**8.5**
Jamaica	100.0	96.1	94.8	92.9	91.3	88.8	85.7	83.0	82.1	81.8	77.3	75.9	75.6	...	...	**...**	**...**
Mexico [a/]	100.0	94.3	91.2	90.0	89.8	79.3	72.2	71.4	71.8	69.4	69.8	70.1	70.6	70.6	70.3	**0.0**	**0.0**
Panama [b/]	100.0	98.8	97.0	108.9	107.6	107.1	112.4	111.0	114.2	118.1	122.6	130.9	129.6	129.7	131.6	**-3.2**	**-2.9**
Paraguay [a/]	100.0	95.2	86.8	83.4	85.7	85.4	87.2	91.9	90.7	86.5	90.3	93.5	93.1	95.7	92.5	**-2.0**	**0.8**
Peru [a/]	100.0	69.6	72.9	56.7	67.1	68.7	71.0	127.6	145.5	140.7	156.2	158.4	158.1	160.0	167.2	**8.7**	**-1.9**
Trinidad and Tobago		100.0	93.9	84.8	77.9	74.1	71.6	69.1	122.2	118.1	114.0	108.1	103.8	...	...	**...**	**...**
Uruguay [a/]	100.0	91.5	87.3	74.9	66.9	62.4	60.3	59.0	61.4	61.7	60.6	59.8	53.7	47.1	47.0	**-1.4**	**57.1**
Venezuela [a/]	100.0	111.4	127.2	92.0	95.5	97.3	83.5	73.9	76.1	76.4	78.8	78.1	75.9	67.2	76.6	**12.3**	**13.5**
Average [c/]	100.0	102.3	101.8	104.3	107.1	107.2	106.7	109.4	116.4	116.8	119.2	123.5	122.3	126.7	131.9	**5.0**	**6.8**
[d/]	100.0	108.0	100.9	109.6	111.0	113.5	111.5	115.2	118.5	119.4	122.5	129.9	129.4	131.3	142.3	**9.8**	**5.0**

Source: ILO, based on official country data.

a/ National minimum wage.
b/ Lowest minimum manufacturing wage.
c/ Simple average. Does not include Guatemala or Haiti.
d/ Weighted average. Does not include Guatemala nor Haiti.
e/ Estimated based on the annualized growth rate of the first three quarters.
f/ Corresponds to the annualized growth rate of the first semester.

TABLE 10-A

LATIN AMERICA AND THE CARIBBEAN CONSUMER PRICE INDEX, 1995 - 2005

(annual percentage change)

Country	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2004-2005 First semester	
Argentina	3.4	0.2	0.5	0.9	-1.2	-0.9	-1.1	25.9	13.4	4.4	**3.2**	**8.5**
Bahamas	2.1	1.4	0.5	1.3	1.3	1.6	2.0	2.1	2.8	0.9	**1.0**	**1.3**
Barbados	1.8	3.0	7.7	-2.1	0.7	2.4	3.1	1.4	1.6	1.5	**0.4**	**...**
Bolivia	10.2	12.4	4.7	7.7	2.2	4.6	1.6	0.9	3.3	4.4	**4.4**	**5.6**
Brazil	66.0	16.0	6.9	3.2	4.9	7.1	6.8	8.4	14.8	6.6	**6.2**	**7.6**
Chile	8.2	7.4	6.1	5.1	3.3	3.8	3.6	2.5	2.8	1.1	**0.3**	**2.5**
Colombia	20.8	20.8	18.3	18.6	10.2	9.3	7.8	6.3	7.1	5.9	**5.9**	**5.1**
Costa Rica	23.2	17.5	13.2	11.7	10.0	11.0	11.3	9.2	9.5	12.3	**11.4**	**13.7**
Dominican Republic	12.5	5.4	8.3	4.8	6.5	7.7	8.9	5.2	27.4	51.5	**60.5**	**5.3**
Ecuador	22.9	24.4	30.6	36.1	52.2	96.1	37.7	12.5	7.9	2.7	**3.6**	**1.3**
El Salvador	10.1	9.8	4.5	2.5	0.5	2.3	3.7	1.9	2.9	4.5	**3.6**	**4.8**
Guatemala	8.4	11.0	9.2	6.6	5.2	6.0	7.6	8.1	5.6	7.5	**6.7**	**8.8**
Haiti	30.2	21.9	16.2	12.7	8.1	11.5	16.8	8.7	32.5	27.1	**24.2** b/	**16.0** b/
Honduras	29.5	23.8	20.2	13.7	11.6	11.0	9.7	7.7	7.7	8.1	**7.3**	**9.2**
Jamaica	19.9	34.0	9.7	8.6	2.5	8.2	7.0	7.1	10.3	13.7	**15.4**	**15.0**
Mexico	35.0	34.4	20.6	15.9	16.6	9.5	6.4	5.0	4.5	4.7	**4.3**	**4.5**
Nicaragua	11.2	11.6	9.2	13.0	11.2	11.5	7.4	4.0	5.2	8.2	**7.7**	**8.7**
Panama	-1.2	1.3	1.3	0.6	1.3	1.4	0.3	1.0	1.2	0.5	**-0.6**	**3.0**
Paraguay	13.4	9.8	7.0	11.6	6.8	9.0	7.3	10.5	14.2	5.2	**3.7**	**5.1**
Peru	11.1	11.5	8.5	7.3	3.5	3.8	2.0	0.2	2.3	3.7	**3.2**	**2.0**
Trinidad and Tobago	6.6	4.2	3.6	5.6	1.5	3.5	5.6	4.2	3.8	3.8	**3.1**	**6.7**
Uruguay	42.2	28.3	19.8	10.8	5.7	4.8	4.4	14.0	19.4	9.2	**9.3**	**5.1**
Venezuela	59.9	99.9	50.0	35.8	23.6	16.2	12.5	22.4	31.1	21.7	**23.2**	**16.7**
Average a/	36.1	19.5	11.5	9.0	7.3	7.9	6.1	8.9	10.6	6.5	**6.1**	**6.7**

***Source*:** ILO, based on IMF data and official country information.

a/ Weighted average.
b/ January-May average.

TABLE 11-A

LATIN AMERICA AND THE CARIBBEAN GROSS DOMESTIC PRODUCT, 1995-2004

(average annual rates)

Country	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004 a/
Latin America										
Argentina	-2.8	5.5	8.1	3.8	-3.4	-0.8	-4.4	-10.9	8.8	9.0
Bolivia	4.7	4.4	5.0	5.0	0.4	2.3	1.5	2.8	2.8	3.6
Brazil	4.2	2.7	3.3	0.1	0.8	4.4	1.3	1.9	0.5	4.9
Chile	10.8	7.4	6.6	3.2	-0.8	4.5	3.4	2.2	3.7	6.1
Colombia	5.2	2.1	3.4	0.6	-4.2	2.9	1.5	1.9	4.1	4.1
Costa Rica	3.9	0.9	5.6	8.4	8.2	1.8	1.0	2.9	6.5	4.2
Cuba	2.3	7.8	2.7	0.2	6.3	6.1	3.0	1.5	2.9	3.0
Dominican Republic	4.7	7.2	8.3	7.3	8.1	7.8	4.0	4.3	-1.9	2.0
Ecuador	1.7	2.4	4.1	2.1	-6.3	2.8	5.1	3.4	2.7	6.9
El Salvador	6.4	1.7	4.2	3.7	3.4	2.2	1.7	2.2	1.8	1.5
Guatemala	4.9	3.0	4.4	5.0	3.8	3.6	2.3	2.2	2.1	2.7
Haiti	9.9	4.1	2.7	2.2	2.7	0.9	-1.0	-0.5	0.5	-3.8
Honduras	4.1	3.6	5.0	2.9	-1.9	5.7	2.6	2.7	3.5	5.0
Mexico	-6.2	5.2	6.8	5.0	3.6	6.6	0.0	0.6	1.4	4.4
Nicaragua	5.9	6.3	4.0	3.7	7.0	4.2	3.0	1.0	2.3	5.1
Panama	1.8	7.4	6.4	7.4	4.0	2.7	0.6	2.2	4.3	6.2
Paraguay	4.7	1.3	2.6	-0.4	0.5	-0.4	2.7	-2.3	3.8	4.0
Peru	8.6	2.5	6.8	-0.7	0.9	2.9	0.2	4.9	4.0	4.8
Uruguay	-1.4	5.6	5.0	4.5	-2.8	-1.4	-3.4	-11.0	2.2	12.3
Venezuela	4.0	-0.2	6.4	0.3	-6.0	3.7	3.4	-8.9	-7.7	17.9
The Caribbean										
Antigua and Barbuda	-5.0	6.1	5.6	4.9	4.9	3.3	1.5	2.1	5.5	5.9
Barbados	2.4	3.2	4.6	6.2	0.5	2.4	-3.4	-0.5	3.7	4.4
Belice	0.6	1.5	3.6	3.7	8.8	12.3	5.0	4.2	9.0	4.2
Dominica	1.6	3.1	2.0	2.8	1.6	1.3	-4.2	-5.1	0.0	3.9
Guyana	5.0	7.0	7.1	-1.7	3.0	-1.4	2.3	1.1	-0.6	1.6
Jamaica	0.5	-1.2	-1.4	-0.6	1.1	0.8	1.0	1.9	2.0	2.5
Trinidad and Tobago	4.0	3.8	3.1	4.4	6.9	9.3	4.2	3.2	12.8	6.2
Latin America and the Caribbean	1.5	3.8	5.5	2.5	0.4	4.0	0.3	-0.8	2.0	5.9

Source: ILO, based on ECLAC data and official country information.

a/ Preliminary estimates.

International Labour Office

TABLE 1-B

LATIN AMERICA, SELECTED COUNTRIES
URBAN OPEN UNEMPLOYMENT RATE, First quarter 2000 - Second quarter 2005.

(percentages)

Countries	2000					2001					2002					2003					2004					2005	
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II
TOTAL COUNTRIES a/																											
1/	**8.7**	**8.5**	**8.2**	**7.4**	**8.2**	**8.2**	**8.3**	**8.3**	**8.0**	**8.2**	**9.2**	**9.3**	**9.0**	**8.3**	**9.0**												
2/											**11.4**	**11.2**	**10.8**	**10.1**	**11.0**	**11.3**	**11.4**	**11.4**	**10.4**	**11.1**	**10.9**	**10.8**	**10.1**	**9.1**	**10.2**	**9.8**	**9.3**
Argentina																											
Old series b/	15.4	15.4	14.7	14.7	15.1	16.4	16.4	18.4	18.4	17.4	21.5	21.5	17.8	17.8	19.7	15.6	15.6										
New series b/																20.4	17.8	16.3	14.5	17.3	14.4	14.8	13.2	12.1	13.6	13.0	12.1
Brazil																											
Old series c/	8.0	7.7	7.0	5.9	7.1	6.0	6.6	6.2	6.2	6.2	7.0	7.6	7.5	6.6	7.1												
New series c/											12.2	12.0	11.7	10.9	11.7	11.6	12.7	12.9	12.0	12.3	12.2	12.3	11.2	10.2	11.5	10.5	10.1
Chile d/	8.2	9.4	10.7	8.3	9.2	8.8	9.7	10.1	7.9	9.2	8.8	9.5	9.7	7.8	9.0	8.2	9.1	9.4	7.4	8.5	8.1	9.6	9.7	7.8	8.8	7.9	8.7
Colombia e/	17.7	17.5	17.1	16.7	17.3	20.1	18.2	17.9	16.7	18.2	19.0	17.9	15.8	17.9	17.6	17.9	17.2	17.0	14.8	16.7	17.1	15.9	15.0	13.7	15.4	15.8	14.1
Ecuador f/	16.6	14.9	13.1	11.7	14.1	11.8	10.8	10.5	8.6	10.4	8.7	8.8	8.7	8.3	8.6	9.9	10.2	9.9	9.3	9.8	11.2	11.4	10.7	10.7	11.0	11.5	10.7
Mexico g/	2.2	2.2	2.3	2.0	2.2	2.5	2.4	2.4	2.5	2.4	2.8	2.6	2.9	2.5	2.7	2.8	3.0	3.8	3.5	3.3	3.9	3.6	4.0	3.5	3.8	3.9	4.0
Peru h/	....	....	7.8	....	7.8	8.8	9.5	9.5	8.9	9.2	10.6	9.9	8.5	8.7	9.4	10.0	9.3	9.0	9.4	9.4	10.6	9.5	8.9	8.7	9.4	11.3	9.7
Uruguay i/	12.0	14.3	13.9	14.2	13.6	14.9	16.0	15.4	14.9	15.3	14.8	15.6	19.0	18.6	17.0	18.6	17.5	16.0	15.4	16.9	13.9	13.1	13.3	12.1	13.1	12.1	12.3
Venezuela d/	15.3	14.0	14.1	12.1	13.9	14.2	13.3	13.4	12.1	13.3	15.3	15.6	16.3	16.0	15.9	19.7	18.9	17.9	15.6	18.0	17.3	15.9	14.7	12.5	15.1	14.3	12.2

Source: ILO, based on information from household surveys of the countries.

a/ Weighted average. The selected countries represent 89% of the regional urban labour force.
b/ 28 urban areas. New measurement beginning 2003, data are not comparable with previous years.
c/ Six metropolitan areas. New measurement beginning 2002, data are not comparable with previous years.
d/ National coverage.
e/ Includes hidden unemployment. Seven metropolitan areas until 1999. Beginning 2000 thirteen metropolitan areas.
f/ Includes hidden unemployment. Includes Quito, Guayaquil and Cuenca.
g/ Progressive incorporation until reaching 32 urban areas beginning in 2003.
h/ Metropolitan Lima. New measurement beginning 2001; data are not comparable with previous years.
i/ Urban national coverage.

1/ Calculated based on the old Brazilian series.
2/ Beginning 2002 calculated based on the new Brazilian series and from 2003 onward with the new series of Argentina.

TABLE 2-B

LATIN AMERICA, SELECTED COUNTRIES
URBAN UNEMPLOYMENT RATE BY SEX, First quarter 2000 - Second quarter 2005

(percentages)

Countries	2000					2001					2002					2003					2004					2005	
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II
Argentina a/																											
Men	14.5	14.5	13.6	13.6	14.1	16.2	16.2	18.7	18.7	17.5	22.3	22.3	18.0	18.0	20.2	18.2	16.3	15.0	12.5	15.5	11.9	13.4	11.6	10.8	11.9	11.2	10.4
Women	16.6	16.6	16.2	16.2	16.4	16.6	16.6	17.8	17.8	17.2	20.2	20.2	17.6	17.6	18.9	23.3	19.8	17.9	17.1	19.5	17.7	16.6	15.3	13.7	15.8	15.4	14.2
Brazil b/																											
Men	7.1	6.9	6.4	5.5	6.5	5.4	6.3	5.8	5.9	5.8	6.6	7.1	7.0	6.1	6.7	9.6	10.5	10.4	9.7	10.1	9.6	9.8	9.0	7.9	9.1	8.2	7.9
Women	9.0	8.8	7.8	6.5	8.0	6.7	7.1	6.7	6.6	6.8	7.5	8.3	8.1	7.1	7.8	14.2	15.5	16.0	14.8	15.2	15.2	15.4	13.8	13.1	14.4	13.4	12.8
Chile c/																											
Men	7.3	9.2	10.5	8.0	8.7	8.3	9.5	10.0	7.6	8.9	8.1	9.2	9.7	7.5	8.6	7.3	8.5	8.9	6.9	7.9	7.2	8.8	8.9	6.9	7.9	6.6	7.7
Women	10.0	9.8	11.3	9.0	10.0	10.0	10.0	10.3	8.4	9.7	10.1	10.0	9.8	8.5	9.6	9.8	10.2	10.4	8.3	9.7	9.9	11.2	11.4	9.5	10.5	10.2	10.4
Colombia d/																											
Men	15.2	15.5	15.0	14.2	15.0	17.5	16.4	16.1	14.0	16.0	16.3	15.9	15.6	13.6	15.3	15.5	14.5	13.9	12.3	14.0	14.1	13.8	12.6	11.4	13.0	13.4	11.8
Women	20.6	19.8	19.5	19.5	19.9	23.1	20.2	19.9	19.7	20.7	22.0	20.2	20.3	18.1	20.1	20.5	20.1	20.4	17.4	19.6	20.5	18.0	17.7	16.1	18.1	18.4	16.7
Mexico e/																											
Men	2.2	2.2	2.2	1.9	2.1	2.4	2.3	2.2	2.5	2.4	2.6	2.6	2.8	2.5	2.7	2.7	2.9	3.6	3.3	3.1	3.6	3.5	3.6	3.2	3.5	3.5	3.2
Women	2.5	2.3	2.8	2.0	2.4	2.3	2.5	2.7	2.7	2.5	3.1	2.5	3.1	2.5	2.8	3.0	3.1	4.1	3.7	3.4	4.3	3.9	4.8	3.9	4.2	4.6	5.2
Peru f/																											
Men	…	…	8.2	…	8.2	6.9	8.4	8.5	8.0	8.0	9.4	8.6	7.6	7.5	8.3	8.5	8.4	8.3	8.6	8.5	9.5	8.2	7.5	7.3	8.1	9.7	8.7
Women	…	…	7.4	…	7.4	11.1	10.8	10.9	9.9	10.7	12.2	11.4	9.6	10.1	10.8	11.9	10.3	9.8	10.3	10.7	12.1	11.0	10.6	10.5	11.1	13.3	10.8
Uruguay g/																											
Men	9.5	13.1	10.0	11.0	10.9	10.4	11.9	11.4	12.5	11.6	11.9	12.5	16.2	15.8	14.1	16.0	14.3	13.3	12.5	14.3	10.5	11.7	11.2	9.8	10.8	10.2	9.3
Women	14.9	17.7	17.9	18.2	17.2	18.8	20.4	21.7	17.8	19.7	18.2	19.3	22.1	21.7	20.3	22.6	20.4	17.4	17.9	20.0	15.4	16.6	15.0	14.3	15.3	14.5	15.1
Venezuela c/																											
Men	15.0	13.8	13.4	11.4	13.4	13.8	12.5	12.4	10.8	12.4	14.0	14.4	14.8	14.7	14.4	18.4	16.8	15.6	13.3	16.3	14.8	14.2	13.4	10.8	13.1	13.3	11.3
Women	15.9	14.5	15.4	13.3	14.8	14.8	14.6	15.1	14.1	14.7	17.2	17.4	18.7	18.9	17.9	21.6	22.0	21.4	19.0	21.2	20.9	18.9	17.6	15.0	17.9	15.9	12.9

Source: ILO, based on information from household surveys of the countries.

a/ 28 urban areas. New measurement beginning 2003, data are not comparable with previous years.
b/ Six metropolitan areas. New measurement beginning 2002; data are not comparable with previous years.
c/ National coverage.
d/ Includes hidden unemployment. Seven metropolitan areas until 1999. Beginning 2000 thirteen metropolitan areas.
e/ Progressive incorporation until reaching 32 urban areas beginning in 2003.
f/ Metropolitan Lima. New measurement beginning 2001; data are not comparable with previous years.
g/ Montevideo.

TABLE 3-B

LATIN AMERICA. SELECTED COUNTRIES
URBAN YOUTH UNEMPLOYMENT RATE, First quarter 2000 - Second quarter 2005

(percentages)

Countries	2000					2001					2002					2003					2004					2005	
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II
Argentina a/																											
15-24	29.2	29.2	27.6	27.6	28.4	30.0	30.0	32.0	32.0	31.0	37.8	37.8	33.1	33.1	35.5	40.6	36.3	33.1	31.2	35.9	30.8	31.0	28.9	26.3	29.3	29.8	...
Brazil b/																											
15-17	...	...	...	...	17.8	...	...	...	...	29.8	37.0	33.8	33.8	34.1	33.9	36.4	37.4	39.9	38.8	38.2	39.9	36.8	32.5	32.6	35.4	35.6	34.3
18-24	15.2	15.2	13.7	12.0	14.0	12.3	13.4	12.5	12.0	12.5	13.7	15.2	15.3	14.5	14.7	21.9	24.2	24.4	22.8	23.4	23.5	23.9	22.6	20.3	22.5	21.6	21.5
Chile c/																											
15-24	19.4	21.6	24.6	19.8	21.4	19.8	21.5	22.9	18.8	20.8	20.2	23.3	22.9	19.9	21.6	19.4	23.4	22.7	19.0	21.2	20.7	22.9	21.4	18.4	20.9	18.4	21.2
Colombia d/																											
12-17	34.3	32.4	30.5	36.0	33.3	41.0	33.5	34.3	33.5	35.6	31.8	33.1	34.7	31.1	32.7	31.8	28.6	31.7	26.4	29.6	29.6	25.7	...	...	29.3	29.9	...
18-24	32.9	33.2	32.6	31.0	32.4	35.4	33.2	33.1	30.7	33.1	33.4	32.9	33.1	28.7	32.0	33.8	33.4	32.3	28.7	32.0	32.3	30.1	...	...	29.3	31.8	...
Mexico e/																											
12-19	5.0	5.7	6.0	4.5	5.3	4.9	5.5	5.5	6.4	5.6	6.8	6.1	7.7	5.9	6.6	7.6	7.7	9.2	8.5	8.5	8.6	8.9	10.8	9.5	9.5		
20-24	4.6	3.9	4.1	3.7	4.1	4.8	4.3	4.7	4.7	4.6	5.4	5.0	5.3	5.1	5.2	5.2	6.2	7.7	6.5	6.6	7.7	7.1	8.1	6.6	7.4	...	...
Peru f/																											
14-24	...	...	15.4	...	15.4	12.5	15.2	15.3	13.9	14.2	17.1	14.3	13.8	15.2	15.1	16.2	13.7	13.4	15.8	14.8	16.8	14.7	15.2	16.5	15.8	19.0	16.5
Uruguay g/																											
14-24	27.1	34.6	32.0	33.0	31.7	32.1	37.0	39.6	35.9	36.2	35.1	38.2	42.0	44.6	40.0	41.1	40.6	38.7	36.1	39.5	31.2	34.2	34.0	30.2	32.4	31.9	29.8
Venezuela c/																											
15-24	28.0	n.d.	n.d.	n.d.	28.0	24.1	23.8	24.1	20.7	23.2	26.1	26.6	28.5	27.6	27.2	33.7	31.4	29.7	27.4	30.9	28.6	26.5	24.4	20.8	25.1	23.6	20.4

Source: ILO, based on information from household surveys of the countries.

a/ 28 urban areas. New measurement beginning 2003, data are not comparable with previous years.
b/ Six metropolitan areas. New measurement beginning 2002; data are not comparable with previous years.
c/ National coverage.
d/ Includes hidden unemployment. Seven metropolitan areas until 1999. Beginning 2000 thirteen metropolitan areas.
e/ Progressive incorporation until reaching 32 urban areas beginning in 2003.
f/ Metropolitan Lima. New measurement beginning 2001; data are not comparable with previous years.
g/ Montevideo.

TABLE 4-B

LATIN AMERICA, SELECTED COUNTRIES
URBAN LABOUR FORCE PARTICIPATION RATES, First quarter 2000 - Second quarter 2005
(percentages)

Countries	2000					2001					2002					2003					2004					2005	
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II
TOTAL COUNTRIES a/ 1/	**58.0**	**58.5**	**58.7**	**58.3**	**58.4**	**57.9**	**57.8**	**57.7**	**57.8**	**57.8**	**57.7**	**58.0**	**58.3**	**57.9**	**57.9**												
2/											**56.8**	**57.0**	**57.6**	**57.7**	**57.2**	**58.4**	**58.4**	**59.0**	**58.9**	**58.7**	**58.6**	**58.8**	**59.0**	**58.9**	**58.8**	**58.3** j/	**58.6** j/
Argentina b/	56.1	56.1	56.7	56.7	56.4	56.5	56.5	55.6	55.6	56.1	55.0	55.0	56.3	56.3	55.5	60.4	60.5	60.0	60.1	60.3	59.8	60.5	60.5	60.2	60.2	59.4	59.5
Brazil																											
Old series c/	57.6	58.5	58.3	57.6	58.0	56.4	56.6	56.3	56.2	56.4	56.4	57.0	57.3	56.2	56.7												
New series c/											54.3	54.8	55.6	55.8	55.0	56.3	57.0	57.6	57.4	57.1	56.6	57.3	57.5	57.2	57.2	56.4	56.7
Chile d/	54.1	54.2	53.5	53.6	53.8	52.6	52.6	53.0	53.3	52.9	52.8	52.1	52.0	52.9	52.5	53.1	53.0	52.4	53.1	52.9	53.0	52.8	52.7	54.2	53.2	53.8	53.6
Colombia e/	61.9	63.2	64.1	64.9	63.5	64.7	63.2	63.8	65.1	64.2	63.6	64.1	64.2	65.0	64.2	63.7	63.8	65.0	65.4	64.5	63.6	61.9	63.0	63.1	62.9	62.3	62.1
Ecuador f/	56.0	56.9	57.2	57.1	56.8	55.9	56.1	55.7	54.6	55.6	53.6	54.4	53.8	54.8	54.1	55.4	54.6	53.2	52.2	53.8	55.2	55.8	55.3	56.9	55.8	55.6	55.7
Mexico g/	56.3	56.2	56.7	56.0	56.3	55.9	55.4	55.5	55.4	55.6	55.2	55.1	55.4	54.7	55.1	55.3	54.9	56.2	55.9	55.6	56.2	56.4	56.7	56.4	56.4	…	…
Peru h/	…	…	63.4	…	63.4	68.2	67.2	66.1	66.9	67.1	68.2	68.4	68.7	68.5	68.5	70.3	66.8	66.1	66.5	67.4	68.9	67.8	67.4	68.1	68.0	68.2	67.1
Uruguay i/	60.7	58.4	59.8	59.5	59.6	61.6	60.9	59.3	60.6	60.6	60.3	59.4	58.3	58.4	59.1	58.5	57.6	57.5	58.9	58.1	58.8	58.3	58.5	58.3	58.5	58.0	58.6
Venezuela d/	64.6	64.6	64.6	64.7	64.6	64.5	66.0	67.5	67.8	66.5	68.1	68.5	68.8	69.6	68.7	68.6	69.2	70.0	68.8	69.3	69.2	68.4	68.6	67.9	68.5	66.7	65.6

Source: ILO, based on official country data.

a/ Weighted average.
b/ 28 urban areas. New measurement beginning 2003, data are not comparable with previous years.
c/ Six metropolitan areas. New measurement beginning 2002, data are not comparable with previous years.
d/ National coverage.
e/ Includes hidden unemployment. Seven metropolitan areas until 1999. Beginning 2000 thirteen metropolitan areas.
f/ Includes hidden unemployment. Includes Quito, Guayaquil and Cuenca.
g/ Progressive incorporation until reaching 32 urban areas beginning in 2003.
h/ Metropolitan Lima. New measurement beginning 2001; data are not comparable with previous years.
i/ Urban national coverage.
j/ Estimated.
1/ Calculated based on the old Brazilian series.
2/ Beginning 2002 calculated based on the new Brazilian series and from 2003 onward with the new series of Argentina.

TABLE 5-B

LATIN AMERICA, SELECTED COUNTRIES
URBAN EMPLOYMENT-TO-POPULATION RATIOS, First quarter 2000 - Second quarter 2005

(percentages)

Countries	2000					2001					2002					2003					2004					2005	
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II
TOTAL COUNTRIES a/																											
1/	**52.9**	**53.4**	**53.7**	**53.9**	**53.5**	**52.9**	**52.7**	**52.8**	**53.0**	**52.8**	**52.3**	**52.4**	**52.8**	**52.9**	**52.6**												
2/											**50.2**	**50.5**	**51.1**	**51.7**	**50.8**	**51.6**	**51.6**	**52.1**	**52.6**	**52.0**	**52.0**	**52.3**	**53.0**	**53.4**	**52.7**	**52.6** j/	**53.1** j/
Argentina b/	47.5	47.5	48.3	48.3	47.9	46.0	46.0	45.2	45.2	45.6	43.2	43.2	46.0	46.0	44.3	48.1	49.7	50.2	51.4	49.9	51.1	51.6	52.6	52.9	52.1	51.7	52.4
Brazil																											
Old series c/	53.0	54.1	54.2	54.2	53.9	53.0	52.9	52.9	52.8	52.9	52.5	52.7	53.0	52.5	52.6												
New series c/											47.7	48.2	49.1	49.7	48.5	49.8	49.8	50.1	50.5	50.1	49.7	50.2	51.1	51.4	50.6	50.4	51.0
Chile d/	49.7	48.6	47.7	49.1	48.8	47.9	47.5	47.6	49.1	48.1	48.1	47.2	47.0	48.7	47.7	48.8	48.2	47.4	49.2	48.4	48.7	47.7	47.6	50.0	48.5	49.6	48.9
Colombia e/	50.9	52.1	53.2	54.1	52.6	51.7	51.7	52.4	54.3	52.5	51.6	52.6	52.7	54.8	52.7	52.4	52.9	54.0	55.8	53.7	52.8	52.1	53.5	54.5	53.2	52.5	53.3
Ecuador f/	46.7	48.3	46.2	50.4	47.9	49.3	50.0	49.8	49.9	49.8	48.9	49.6	49.1	50.3	49.4	50.0	49.0	47.9	47.3	48.6	49.0	49.5	49.4	50.8	49.7	49.2	49.7
Mexico g/	55.1	55.0	55.4	54.9	55.1	54.5	54.1	54.2	54.0	54.2	53.7	53.6	53.4	53.3	53.5	53.7	53.2	54.1	54.0	53.7	54.0	54.3	54.4	54.5	54.3	...	...
Peru h/	...	...	58.4	...	58.4	61.9	60.8	59.8	60.9	60.9	61.0	61.6	62.9	62.5	61.9	63.2	60.6	60.2	60.1	61.2	61.5	61.4	61.4	62.1	61.6	60.5	60.6
Uruguay i/	53.5	51.3	51.5	51.1	51.9	52.4	51.2	50.2	51.6	51.4	51.4	50.1	47.3	47.6	49.4	47.6	47.5	48.3	49.8	48.3	50.6	50.7	50.8	51.3	50.9	51.0	51.4
Venezuela d/	54.7	54.7	56.0	56.9	55.6	55.6	55.3	58.1	59.5	57.1	57.7	57.8	57.6	58.4	57.9	55.1	56.1	57.4	58.1	56.5	57.3	57.6	58.5	59.4	58.2	57.2	57.6

Source: ILO, based on official country data.

a/ Weighted average.
b/ 28 urban areas. New measurement beginning 2003, data are not comparable with previous years.
c/ Six metropolitan regions. New measurement beginning 2002, data are not comparable with previous years.
d/ National coverage.
e/ Seven metropolitan areas until 1999. Beginning 2000 thirteen metropolitan areas.
f/ Includes Quito, Guayaquil and Cuenca.
g/ Progressive incorporation until reaching 32 urban areas beginning in 2003.
h/ Metropolitan Lima. New measuremente beginning 2001; data not comparable with previous years.
i/ Urban national coverage.
j/ Estimated.
1/ Calculated based on the old Brazilian series.
2/ Beginning 2002 calculated based on the new Brazilian series and from 2003 onward with the new series of Argentina.

TABLE 6-B

LATIN AMERICA SELECTED COUNTRIES
REAL MINIMUM WAGES, First semester 2000 - First semester 2005
(annual percentage change)

Countries	2000			2001			2002			2003			2004			2005
	I	II	Annual	I	II	Annual	I	II	Annual	I	II	Annual	I	II	Annual	I
TOTAL COUNTRIES [a/]	**-0.1**	**3.9**	**1.9**	**5.8**	**5.4**	**5.5**	**2.4**	**-2.0**	**0.1**	**-2.8**	**5.8**	**0.9**	**10.6**	**5.7**	**7.9**	**5.2**
Argentina	1.2	0.7	1.0	0.7	1.4	1.0	-11.4	-27.6	-19.5	-19.6	31.7	3.2	69.5	43.3	54.5	26.3
Brazil	0.7	4.8	2.7	10.6	11.6	11.1	7.0	1.8	4.2	-0.6	5.9	2.7	5.7	1.2	3.4	2.9
Chile	8.4	6.0	7.2	5.6	2.1	3.8	3.1	2.7	2.9	0.7	2.1	1.4	3.8	1.9	2.8	1.2
Colombia	0.6	0.9	0.7	1.8	1.9	1.8	1.7	1.5	1.6	0.0	0.6	0.3	1.8	1.9	1.8	1.4
Ecuador	-14.7	9.4	-3.6	29.8	-1.8	11.5	-0.1	2.5	1.2	5.0	6.9	6.0	1.5	3.0	2.3	3.9
Mexico	0.1	1.0	0.5	-0.2	1.3	0.6	1.0	0.5	0.7	-0.6	0.5	-0.1	0.0	-0.8	-0.4	0.0
Peru	7.7	14.4	11.1	3.6	-0.8	1.2	0.5	-0.8	-0.2	-2.5	5.1	1.2	8.7	0.8	4.5	-1.9
Uruguay	-0.3	-3.2	-1.7	-1.8	-0.8	-1.3	-4.0	-16.5	-10.2	-18.3	-5.4	-12.3	-1.4	1.3	-0.1	57.1
Venezuela	-15.4	4.9	-5.2	0.5	-2.3	-1.1	0.5	-6.0	-2.8	-16.4	-6.4	-11.5	12.3	15.6	14.0	13.5

Source: ILO, based on official country data.

a/ Weighted average.

TABLE 7-B

LATIN AMERICA, SELECTED COUNTRIES
CONSUMER PRICE INDEX, First semester 2000 - First Semester 2005
(annual percentage change)

Countries	2000			2001			2002			2003			2004			2005
	I	II	Annual	I	II	Annual	I	II	Annual	I	II	Annual	I	II	Annual	I
TOTAL COUNTRIES [a/]	**7.9**	**7.2**	**7.8**	**6.0**	**5.4**	**5.9**	**7.6**	**12.6**	**10.1**	**13.9**	**8.9**	**11.2**	**5.5**	**6.4**	**6.0**	**6.6**
Argentina	-1.2	-0.7	-1.0	-0.7	-1.4	-1.1	13.8	38.1	25.9	25.2	4.5	13.4	3.2	5.6	4.4	8.5
Brazil	7.3	5.9	7.1	5.9	6.9	6.8	7.7	9.1	8.4	16.2	13.3	14.8	6.2	7.1	6.6	7.6
Chile	3.4	4.3	3.8	3.8	3.3	3.6	2.3	2.7	2.5	3.7	1.9	2.8	0.3	1.9	1.1	2.5
Colombia	9.4	9.0	9.3	8.0	7.9	8.0	6.3	6.4	6.3	7.5	6.8	7.1	5.9	5.9	5.9	5.1
Ecuador	89.9	101.0	96.1	53.6	26.5	37.7	14.0	11.1	12.5	8.9	7.0	7.9	3.6	2.0	2.7	1.3
Mexico	10.1	9.0	9.6	7.2	5.6	6.6	4.8	5.4	5.0	5.1	4.1	4.7	4.3	5.1	4.7	4.5
Peru	3.7	3.9	3.7	3.1	0.8	2.2	-0.5	0.9	0.1	2.6	1.9	2.3	3.2	4.1	3.7	2.0
Uruguay	4.3	5.3	4.7	4.9	3.9	4.5	5.8	21.9	14.0	27.1	12.8	19.4	9.3	9.1	9.2	5.1
Venezuela	17.7	14.9	16.2	12.5	12.6	12.5	16.7	27.7	22.4	34.9	27.9	31.1	23.2	20.5	21.7	16.7

Source: ILO, based on official country data.

a/ Weighted average. The selected countries represent 95% of the regional Gross Domestic Product.

TABLE 8-B

LATIN AMERICA, SELECTED COUNTRIES
GROSS DOMESTIC PRODUCT, First quarter 2000 - Second quarter 2005
(annual percentage change)

Countries	2000					2001					2002					2003					2004					2005	
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II
TOTAL COUNTRIES [a/]	**4.4**	**4.5**	**4.3**	**3.1**	**4.0**	**2.2**	**1.3**	**-0.4**	**-1.2**	**0.2**	**-3.3**	**-0.9**	**0.3**	**1.2**	**-0.7**	**1.8**	**0.9**	**1.5**	**3.6**	**2.1**	**6.4**	**5.6**	**6.3**	**5.9**	**6.1**	**4.0**	**5.2** [b/]
Argentina	0.5	0.2	-0.5	-1.9	-0.8	-2.0	-0.2	-4.9	-10.5	-4.4	-16.3	-13.5	-9.8	-3.4	-10.8	5.4	7.7	10.2	11.7	8.8	11.3	7.1	8.7	9.3	9.0	8.0	10.1
Brazil	4.1	4.5	5.1	4.1	4.4	4.3	2.1	0.5	0.7	1.3	-0.5	1.4	2.9	3.9	1.9	1.9	-1.1	-1.5	0.9	0.5	4.0	5.1	5.9	4.7	5.2	2.8	3.9
Chile	5.5	5.1	4.2	3.2	4.5	3.9	4.7	2.6	2.2	3.4	1.7	1.4	2.4	3.2	2.2	3.9	4.1	4.1	2.8	3.7	4.7	5.3	7.0	7.3	6.1	6.1	6.5
Colombia	2.1	2.9	3.1	3.6	2.9	1.2	1.6	1.2	1.8	1.5	0.5	3.0	2.3	1.9	1.9	4.7	2.6	4.8	5.0	4.3	3.9	5.0	2.9	4.3	4.0	3.8	5.7
Ecuador	-1.9	3.3	5.3	4.7	0.9	8.1	5.2	2.7	4.6	5.5	1.3	3.9	5.0	3.5	3.8	3.4	-0.8	2.1	6.0	2.7	6.3	10.0	7.4	4.3	6.9	3.2	2.9
Mexico	7.4	7.4	7.0	4.7	6.6	1.9	0.2	-1.3	-1.4	-0.2	-2.3	1.9	1.7	2.0	0.8	2.5	0.1	1.0	2.1	1.4	3.9	4.1	4.6	4.9	4.4	2.4	3.1
Peru	7.4	5.8	1.9	-3.0	2.9	-3.9	-1.3	1.5	4.5	0.2	3.0	6.3	5.3	4.5	4.9	5.7	3.6	3.0	2.9	3.8	4.8	3.2	4.7	6.6	5.1	6.1	5.7
Uruguay	-0.1	-3.5	-1.3	-1.1	-1.4	-2.0	-2.0	-4.2	-5.3	-3.4	-11.1	-5.9	-13.1	-14.4	-11.0	-7.8	-4.8	7.1	15.0	2.2	14.3	12.2	12.8	10.2	12.3	6.3	7.6
Venezuela	3.3	3.6	2.3	5.4	3.7	2.1	3.7	5.6	2.1	3.4	-4.4	-8.7	-5.9	-15.8	-8.9	-24.9	-5.0	-7.1	6.6	-7.7	34.0	14.0	14.1	11.2	17.3	7.5	11.1

Source: ILO, based on official statistics.

a/ Weighted average. The selected countries represent 95% of the regional Gross Domestic Product.
b/ Estimated.

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