

# CEPAL

## Review

*Director*

RAUL PREBISCH

*Technical Secretary*

ADOLFO GURRIERI

*Deputy Secretary*

ROSA NIELSEN



UNITED NATIONS  
ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN  
SANTIAGO, CHILE/DECEMBER 1984

# CEPAL

## Review

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Santiago, Chile

Number 24

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# Poverty and underemployment in Latin America

*Alberto Couriel\**

On the basis of statistical information partly obtained from secondary sources —especially PREALC and the World Bank— and partly collected in personal research made in some Latin American countries, the author describes and interprets the evolution of underemployment in the region during the period 1950-1980.

The interpretation sets out to show that during this period, despite the intense economic growth and the high rate of labour absorption in urban areas, the level of underemployment remained almost constant, although the greater proportion is now urban and not rural, as in the past. There are two main factors that account for this trend: on the one hand, the demographic factor, especially population growth and rural-urban migrations, and, on the other, the content or type of the economic growth.

This latter factor, in the author's view the more important, comprises in particular the predominant forms of international insertion of the Latin American countries and the styles of industrial and agrarian development adopted by them in recent decades. These features explain the high but insufficient absorption of the urban labour force, the scant increase in the manpower employed in the modern agricultural sector, and the persistence of small peasant farmers (*minifundistas*). These structural problems call for solutions of a similar type, centered on the transformation of the productive structure and the pattern of external insertion.

In the last part, in view of the diversity of national situations, the author analyses the evolution of employment in a number of countries, grouping them according to their performance in the productive absorption of the labour force.

\* Consultant to the ECLAC Mexico Office.

## Introduction

Latin America is an underdeveloped region, judging by the level attained by its productive forces and its structural features.

In this paper we are concerned to analyse two manifestations of this underdevelopment: poverty and underemployment.<sup>1</sup> Both reflect the inequality of access to food prevailing in the region, which derives from the levels of income, which in their turn depend on the possibilities of employment at a certain level of productivity, this being also a reflection of the development of the productive forces.

The poor, as defined in the statistical information and methodology used, are also the undernourished or families who cannot satisfy the minimal nutritional norms. The underemployed are defined either by their limited number of working hours or by the low income they receive in view of the conditions of productivity in which they work.

The fundamental nature of the economic development is the central factor that accounts for the persistence of poverty and underemployment. A knowledge of this nature is vital for understanding how, at the beginning of the 1980s, the dynamism of past decades began to flag. The analysis of the nature of development assumes, in essence, the study of the forms of international insertion, the characteristics of industrial development that led to this exhaustion of economic growth, the relations between agriculture and industry in the light of the capacity of manufacturing to promote development, the features of agricultural modernization, social relations in rural areas and, lastly, the problem of power.

Analysed in terms of future prospects,

<sup>1</sup> The statistical information on poverty comes from various sources. In ECLAC's methodology those families are considered poor whose food intake is less than the value of a basic "basket" as regards its calorie-protein content. The statistical information on underemployment was based on a PREALC document (1980) which employs the following categories: the rural underemployed are those classified as self-employed workers and unpaid family workers in the economically active population (EAP) engaged in agriculture, plus an additional adjustment to take account of the greater participation of women and children in that population. The urban underemployed are self-employed workers and unpaid family workers in the non-agricultural EAP, excluding professionals and technicians who fall within these categories.

economic growth is a necessary condition for the elimination of poverty and underemployment, but not, as can be seen from the events of recent decades, sufficient to achieve this unaided. The *sine qua non* is self-sustaining economic growth, which calls for new conditions of international insertion. These, in their turn, must be based on new forms of industrialization and relations between agriculture and industry. This naturally implies that in order to combat poverty and underemployment the problems of the traditional rural sector must be solved in the rural localities themselves. Hence it is essential to study the subject of the structure of production, which is a

determining factor for generating new forms of economic growth which will make possible the simultaneous solution of these two great manifestations of Latin American underdevelopment.

In the present article, in which the causes of underemployment and poverty are analysed within the framework of the functioning and structure of the global system, the evolution of Latin America is compared with that of the developed capitalist countries and, inside Latin America, a comparison is made between three groups of countries, classified according to their levels of poverty.

## I

### The situation as regards poverty and underemployment

Around the period of the 1970s, 40% of Latin American families were in a state of poverty, since their income did not cover their minimum basic needs: that is to say, their food intake was less than the basic "basket", so that we must also regard this 40% of families as undernourished.

Poverty is basically a problem which has its roots in rural areas. Of the total of undernourished or poor in the Latin American region, 60% are of rural origin (see table 1). Further, of the total number of rural families, 62% were found to be in a state of poverty; in contrast, only 26% of urban families were in this condition. In 1980, considering 14 countries in Latin America (the same number as was used in the calculation of poverty), 42% of the economically active population was underemployed, a figure very similar to that for the proportion of families in a state of poverty. Among the underemployed, too, those of rural origin predominate (54% of the total of underemployed).

The proportions of underemployment in rural and urban areas are similar to those for poverty mentioned above. Thus, in 1980 in rural areas (considering in this case the agricultural sector proper), 65% of the agricultural economically active population was underemployed, whereas in urban areas only 30% of the non-agricultural EAP was in that condition.

In classifying the countries of Latin America the rural predominance in poverty and underemployment is again apparent (table 2). The central criterion for grouping the countries was the number of poor families as a percentage of the total population. When this information was not available for a country, life expectancy at birth was used, since this has a very close and direct correlation with the proportion of poor families. The countries were classified in three groups:

Group B contains the countries with per-poverty level below 25% of the total population: Argentina, Uruguay, Chile, Costa Rica and Venezuela. It also includes Cuba, the country with the highest life expectancy at birth in the region.

Group B contains the countries with percentages from 34 to 49: Mexico, Panama, Brazil and Colombia. Paraguay also belongs to this group, by reason of its life expectancy at birth.

Group C consists of the countries with over 50% of poor families in the total population: Peru, El Salvador, Guatemala, Honduras, Nicaragua and Haiti. Through the criterion of life expectancy at birth Ecuador, the Dominican Republic and Bolivia are also included in this group.

On average, the countries in group A had

Table 1  
LATIN AMERICA (14 COUNTRIES): CALCULATION OF POVERTY, 1970 AND 1980

	% undernourished 1970		Rural % of under-nourished 1970	Life expectancy at birth 1970	Infant mortality 1980	GDP per capita 1980	% Under-employed 1980	% employed in agriculture 1980	% rural pop. 1980	Share of poorest 40%	Productivity of agricultural labour force 1980
	Total	Urban									
Argentina	8	19	5	70	45	2 390	27.7	13	18	14.1	7 343
Uruguay		10		71	40	2 810	27.0	11	16		4 215
Cuba				73	21			23	27		
Chile	17	25	12	67	43	2 150	28.9	19	29	13.4	1 512
Venezuela	25	36	20	67	42	3 630	31.5	18	17		2 401
Costa Rica	24	34	14	83	24	1 730	27.2	29	57	12.0	2 060
Mexico	34	45	20	65	56	2 090	40.4	36	33	9.9	1 302
Brazil	49	73	35	63	77	2 050	44.5	30	32	7.0	1 172
Colombia	45	54	38	63	56	1 180	41.0	26	30		1 971
Panama	35			70	22	1 730	45.5	27	46		1 807
Paraguay				65	47	1 300		49	61	7.2	1 669
Peru	50	61	35	58	88	930	55.8	40	33	7.0	405
Ecuador				61	82	1 270	63.3	52	55		672
Dominican Republic				61	68	1 160		49	49		916
El Salvador	68	76	61	63	78	660	49.0	50	59		832
Guatemala	79	82	75	59	70	1 080	50.9	55	61		1 047
Nicaragua	64	80	50	56	91	740		39	47		975
Honduras	61	75	40	58	88	560		63	64		628
Bolivia				50	131	570	74.1	50	67		730
Haiti	90	04	71	53	115	270		74	72		312
Total	40	62	26	64		2 174	42.0	35.0	41		1 417

Source: Statistics on undernutrition for Argentina, Brazil, Colombia, Costa Rica, Chile, Uruguay and Venezuela: Altimir (1979); for Peru: Couriel (1981); for Panama: Couriel (1979); for El Salvador, Guatemala, Honduras and Nicaragua: ECLA (1983); for Haiti: World Bank (1982b); for Mexico: PREDESAL (1983).

Statistics for life expectancy at birth, gross domestic product per capita, rural population and that employed in agriculture, productivity of labour force in agriculture and income distribution: World Bank (1982). Underemployment: PREALC (1980).

Table 2  
LATIN AMERICA:  
ECONOMIC AND SOCIAL INDICATORS, 1980

	A <sup>a</sup>	B <sup>b</sup>	C <sup>c</sup>
Percentage undernourished	15	43	64
Life expectancy at birth	70	64	58
Percentage underemployed	28	43	58
Percentage employed in agriculture	16	32	50
Percentage rural population	29	42	62
Productivity of agricultural labour force (dollars)	4 291	1 318	654
Traditional rural sector as a percentage of total labour force	9	24	35

Source: Life expectancy at birth, percentage employed in agriculture and productivity of agricultural labour force: World Bank (1982). Underemployed and traditional rural sector: PREALC (1980). Undernutrition: see table 1.

<sup>a</sup>Argentina, Costa Rica, Chile, Uruguay and Venezuela.

<sup>b</sup>Brazil, Colombia, Mexico, Panama, Paraguay.

<sup>c</sup>Bolivia, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Peru, Dominican Republic.

15% of poor families in their total population around the decade of the 1970s. Group B had an average of 43% and group C, 64%.

Some economic indicators of agriculture in the three groups of countries reflect the influence of rural problems on poverty. In 1980 group A had barely 16% of its labour force engaged in agriculture; in contrast, group B had 32% of its workforce in agriculture and group C, 50%. Poverty levels are higher in those countries in which more workers are employed in agriculture.

The proportion of the traditional rural sector in the total labour force has the same effect. This sector is basically composed of self-employed workers and unpaid family workers. In 1980 the group A countries had a very low proportion of labour in this sector (9% of their total workforce); group B had 24% and group C, 35%. The countries with the highest proportion of their economically active population in the traditional rural sector, in which the problem of the peasantry in the region is concentrated,<sup>2</sup> are those with the highest proportion of poverty.

<sup>2</sup> Self-employed agricultural workers form the bulk of the peasantry. Schejtman characterizes the peasant economy

The proportion of the population engaged in agriculture and the proportion in the traditional rural sector have a decisive influence on the differences in productivity of the agricultural labour force. These factors are even more influential than the potential and quality of the land and the techniques used.

In 1980, the productivity of the agricultural labour force in group A came to US\$ 4 291, as compared with US\$ 1 318 in group B and US\$ 654 in group C.

The rural situation and the proportion accounted for by the traditional rural sector, in which the peasant sectors are situated, are determinants of the levels of poverty. The countries in group A, where the traditional rural sector accounts for only a negligible proportion, display the lowest poverty levels in the region. At the other extreme, those in group C, with the highest percentages of the labour force in the traditional rural sector, have the highest level.

Two examples will suffice to show the incidence of the traditional rural sector —self-

as that which "... comprises that sector of national farming activity where production is carried on by family-type units with a view to ensuring, cycle by cycle, the reproduction of their conditions of life and labour, or, in other words, the reproduction of the producers and the unit of production itself". "The peasant unit is, at one and the same time, a unit of production itself." "The peasant unit is, at one and the same time a unit of production and of consumption where the domestic aspect is inseparable from the productive activity. Here the decisions concerning consumption are inseparable from those affecting production, and the latter is undertaken without (or with very little) employment of (net) wage labour..." "The intensity in the use of factors —given the available volume of these and the technological level— is determined by the degree of satisfaction of the reproductive needs of the family and the farming unit, coupled with the debts or commitments incurred with third parties..." "The peasant economy is not a natural economy or one of self-sufficiency or autarky, since a variable proportion of the material elements of its reproduction —whether inputs or articles of final consumption— have to be bought for money in the market. Hence the family unit is obliged to participate in the market of goods and services as a supplier of products and/or labour..." "In other words, the question of what to produce is not determined by the commercial nature of the product, but by its role in the maintenance of the family and the productive unit..." "The peasant unit, in contrast to the agricultural enterprise, cannot be conceived as an independent unit isolated from other similar units; it is always seen as forming part of a larger set of units with which it shares a common territorial base: the local community" (ECLAC, 1982).

employed workers or smallholders—on poverty. In Peru smallholders (with less than 3 hectares) represented around 54% of the total of poor families and 80% of poor rural families in 1972 (Couriel, 1981). In Mexico self-employed agricultural workers represented 54% of the rural poor in 1975 (PREDESAL, 1983).

An analysis of underemployment likewise demonstrates the influence of the traditional rural sector. In 1970, 61.4% of the total of underemployed were in the traditional rural sector and in 1980 this sector was still predominant—despite the massive migration to the city—with 54% of the total (see table 3).

Table 3  
POPULATION AND EMPLOYMENT BY SECTORS  
(Percentages)

	Latin America		Group A		Group B		Group C		Developed capitalist countries	
	1950	1980	1950	1980	1950	1980	1950	1980	1960	1980
Underemployed	46.1	42.0	26.9	28.0	50.9	43.0	57.1	58.0		
Rural underemployed/ total underemployed	70.5	53.8	36.6	32.4	76.6	54.9	73.2	62.4		
Urban informal/urban EAP	30.8	30.2	24.8	23.2	32.6	31.5	47.5	44.5		
Traditional rural/total EAP	32.5	22.6	10.1	9.0	39.0	24.0	43.9	35.0		
Traditional rural/total rural	59.4	64.8	32.6	50.6	63.7	63.2	63.6	83.7		
Rural population	61.1	41.0	40.0	19.0	64.1	42.0	75.1	62.0	32.0	22.0
Employed in agriculture/total EAP	54.7	34.9	33.9	29.4	61.2	47.1	66.1	49.0	18.0	6.0
<i>Rates of growth 1950-1980</i>										
Total population	2.9		2.3		3.1		2.9		0.9	
Urban population	4.3		3.0		4.8		4.8		1.6	
Rural population	1.5		1.0		1.5		2.0			
Total EAP	2.4		1.7		2.7		2.3		1.2	
Urban EAP	3.7		2.5		4.4		3.8		1.8	
Rural EAP	0.9		-0.1		1.0		1.2		—	
Urban formal employment	3.7		2.5		4.5		3.9		—	
Urban informal employment	3.7		2.3		4.3		3.6		—	
Modern agricultural employment	0.5		-1.1		1.0		-1.5		—	
Traditional agricultural employment	1.2		1.4		1.0		2.1		—	

Source: Developed capitalist countries: World Bank (1982 a); total urban and rural population: CEPAL (1982); other data: PREALC (1980).

## II

## The causes of the evolution of underemployment

In the period 1950-1980 underemployment declined slightly for the region as a whole (on the basis of the 14 countries studied by PREALC, 1980),<sup>3</sup> falling from 46.1% of the labour force in 1950 to 43.8% in 1970 and 42% in 1980. The dynamic economic growth of the region during 30 years did not succeed in eliminating it.

Underemployment persisted in the three groups of countries, though with a decline in group B. Group A had 26.9% of underemployed in 1950 and 28% in 1980; group C had 57.1% in 1950 and 58% in 1980; and group B showed a fall from 50.9% in 1950 to 43% in 1980.

Why has it not been possible to secure a substantial improvement in underemployment? In the period 1960-1980 Latin America registered a high rate of economic growth: the gross domestic product rose at a cumulative annual rate of 5.5%, while in the developed capitalist countries the figure was only 4.2% during the same period. Such high rates of growth, which even exceed those of the developed capitalist countries as a whole, have been rare in the past. It can therefore be categorically stated that Latin America did not suffer from insufficient dynamism, so that this cannot have been the explanation of the scant improvement in underemployment.

The economic growth is confirmed by the analysis of the different groups of countries in the region (table 4). In the group B countries the gross domestic product grew at an annual cumulative rate of 6.5% during the period. After them came the group C countries with 4.8% and, finally, group A with 4%. This last group includes Argentina, Chile and Uruguay, which do indeed show signs of dynamic insufficiency, since the overall rate of 4% was largely achieved thanks to the high rates of growth in Costa Rica and Venezuela.

Nor can the persistence of underemployment be attributed to a lack of labour absorption

<sup>3</sup> Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Mexico, Panama, Peru, Uruguay and Venezuela.

Table 4  
PRODUCTIVITY OF LABOUR FORCE,  
EMPLOYMENT AND PRODUCT  
(Growth rates 1960-1980)

	Latin America				Developed capitalist countries
	Total	A	B	C	
<i>Employment</i>					
Total	2.9	2.1	3.2	2.8	1.2
Agriculture	0.7	-0.3	0.5	1.7	-3.9
Industry	3.7	1.4	5.0	3.4	1.1
Services	4.6	3.4	5.1	4.6	2.4
<i>Product</i>					
Total	5.5	4.0	6.5	4.8	4.2
Agriculture	3.4	2.7	3.8	3.0	1.4
Industry	6.1	3.5	7.6	5.6	4.5
Services	5.9	4.8	6.9	5.1	4.2
<i>Productivity</i>					
Total	2.5	1.8	3.1	1.9	3.0
Agriculture	2.7	3.0	3.2	1.3	5.5
Industry	2.2	2.1	2.5	2.1	3.3
Services	1.3	1.4	1.7	0.5	1.7

Source: PREDESAL, based on data from World Bank (1982 a). The use of this source enables us to compare the evolution of Latin America, its three groups of countries, and the developed capitalist countries (Austria, Belgium, Canada, United States, France, Italy, Japan, Norway, Netherlands United Kingdom and Sweden).

in the urban areas. On the contrary, the growth rates of urban employment were extraordinarily high. In Latin America the urban areas had a decisive influence on the growth of production, especially in the industrial sector (comprising mining, manufacturing and construction).

The industrial product grew at an annual cumulative rate of 6.1% in Latin America during 1960-1980 as against 4.5% in the developed capitalist countries, while services in Latin America expanded at an annual cumulative rate of 5.9% compared with 4.2% in the latter countries.

This greater economic growth in Latin America also signifies a greater capacity for labour absorption during the period. In the region as a whole employment rose during 1960-



1980 at an annual cumulative rate of 2.9% (compared with 1.2% in the developed capitalist countries). In the urban localities of Latin America employment in the industrial sector went up at an annual cumulative rate of 3.7% as against 1.1% in the developed capitalist countries, while employment in services grew by 4.6% in Latin America compared with 2.4% in the latter countries. In brief, employment in the Latin American industrial sector rose between 1960 and 1980 at a rate more than three times that of the developed capitalist countries, while in the services sector the rate was almost double.

These higher rates of urban manpower absorption were accompanied by lower rates of improvement in labour productivity. In Latin America this rose at an annual cumulative rate of 2.2% and that of the services at a rate of 1.3% as against 3.3% and 1.7% respectively in the developed capitalist countries. Thus, although Latin America registered greater growth in urban production and employment than the developed capitalist countries, it showed less improvement in the productivity of its urban economic sectors.

Special mention should be made of the evolution of the socialist countries of eastern Europe. During the period 1951-1970 the average growth of industrial employment (manufacturing only) in seven such countries was equal to that of the industrial sector of Latin America in 1960-1980. In both cases the annual cumulative growth was 3.7%, but in the former the product increased by an annual cumulative 9.9% and labour productivity by 6%. This performance of the socialist countries has undoubtedly been influenced by the programming of the structure of production in terms of national and regional objectives.

In Latin America the highest rates of global and sectoral growth in production, employment and labour productivity are found in the group B countries (table 4). In essence the performance of the urban sectors in the region may be regarded as very positive in terms of growth of production and capacity for labour absorption, specially when compared with the developed capitalist countries. Nevertheless this growth, above all in the industrial sector, has been based on a model which now in the 1980s is showing signs of exhaustion.

Thus, the structure of production is based on a share in the international market in which primary products continue to predominate, and this affects the real revenue in foreign exchange—the scarcest resource in the region—even in the oil-exporting countries. At the same time, Latin America has applied an industrialization process without technological adaptation or creation with few internal linkages, low levels of capital goods production and scant efficiency or competitiveness in the international markets. Because of these features, the form of industrial development cannot establish a productive structure with strictly national objectives, it cannot ensure a dynamic linkage with the international market, and it is unable to eliminate underemployment and poverty. The States did not programme this productive structure with the needs of each country in mind. The way it developed was largely due to the poor showing of the local bourgeoisies as regards the generation of autonomous processes of national development, through lack of local development projects. The formation of the productive structures has been greatly influenced by the transnational corporations, whose aims do not necessarily coincide with national needs respecting what to produce and how to produce it (Fajnzylber, 1983).

The capacity of Latin American manufacturing to promote the development of the rest of the economic sectors is also less than in the developed capitalist countries, owing to its poor linkages, non-production of capital goods and lack of technological innovation. In particular, the manufacturing industry of the developed capitalist countries, which is in the vanguard of world development, has promoted a homogenizing process within and among sectors. In contrast, Latin America has persisted in a heterogeneous production style, with great differences in labour productivity in different sectors and even within a single sector.

Latin American agriculture, unlike that of the developed capitalist countries, does not provide any economic impetus that carries with it the traditional rural sector and incorporates it as a beneficiary in the process. This is mainly because the incorporation of technology in agriculture was based on imported techniques, which were not necessarily in keeping with the local resource endowment.

The great absorption of labour in the urban economic sectors has probably been based on low levels of productivity, and has therefore not permitted those employed in the urban areas to earn enough to meet their basic needs. This may partly explain the persistence of the levels of underemployment in Latin America.

Even so, the level and rate of absorption in the urban formal sector have been high in Latin America.<sup>4</sup> In the period 1950-1980 the annual cumulative growth rate of employment in the sector reached 3.7%. This is almost double that recorded in the developed capitalist countries —1.8% in 1960-1980—, if it is assumed that all the absorption of labour in the industrial and services sectors in these countries corresponds to the urban formal sector.

The rate of 3.7% for Latin America is based on a rise of 4.5% in the group B countries, 3.9% in group C and 2.5% in group A, all of which figures are considerably higher than those registered in the developed capitalist countries.

It is therefore neither dynamic insufficiency, nor incapacity to absorb labour in the predominantly urban sectors, nor failure to absorb in the urban formal sector, that characterize the economic evolution of Latin America. The persistence of underemployment is not explained by the action of any of these factors.

There has also been high growth in employment in the urban informal sector, as a result of the rapid increase in the urban labour force. In 1950-1980 the rise in employment in the urban informal sector<sup>5</sup> was similar to that of the urban EAP and to that of the urban formal sector (3.7%). This means that there has been no change throughout 30 years in the urban employment structure. In 1950 the urban informal sector represented 30.8% of the urban EAP. In 1980 it still amounted to 30.2%.

By groups of countries, growth in the period 1950-1980, was slightly higher in the formal than in the informal sector. In group A the formal sector grew by 2.5% and the informal by 2.3%; in

group B the rates were 4.5 and 4.3%, and in group C, 3.9 and 3.6%.

In the United States the urban informal sector accounted for 36.6% of non-agricultural employment in 1900, falling to 21.5% in 1920 and 15.5% in 1960. Between 1900 and 1920 non-agricultural employment in the United States rose at an annual cumulative rate of 3% and the urban informal sector at 0.3%. Between 1910 and 1960 non-agricultural employment rose at an annual cumulative rate of 1.9% and the urban informal sector at 0.6%.

The fall in the proportion of the urban informal sector in the United States was not due to greater absorption in the formal sector, but to the lower rate of growth of the urban labour force.

The growth rate of non-agricultural employment in Latin America between 1950 and 1980 amounted to 3.7%, while for the United States it was 3.5% between 1870 and 1900, 2.9% between 1900 and 1920, 2.1% between 1920 and 1950, and 1.8% between 1950 and 1980. Its rates are always lower than those of Latin America and constantly on the decline. The differences between Latin America and the United States as regards the behaviour of the urban informal sector are due to the differences in the growth of the labour force, and especially the urban labour force (see table 5).

Table 5  
GROWTH OF NON-AGRICULTURAL  
LABOUR FORCE

	Latin America (14 countries)	United States
1950-1980	3.7	
1870-1900		3.5
1900-1920		2.9
1920-1950		2.1
1950-1960		1.7

Source: Latin America: PREALC (1980); United States: Leber-gott (1964).

<sup>4</sup> This excludes self-employed workers and unpaid family workers in the non-agricultural EAP and includes professionals and technicians categorized as self-employed workers.

<sup>5</sup> Non-agricultural self-employed workers and unpaid family workers, excluding professionals and technicians.

The persistence of the informal sector in the urban employment structure is a useful factor for understanding the scant decline of underemployment in Latin America. The high

growth rate of this sector does not stem from dynamic insufficiency or from the incapacity of the urban formal sector to absorb labour, but from the high growth rate of the urban labour force.

The importance of the urban informal sector explains the differences in productivity in the services sector. Both in Latin America and in the developed capitalist countries the greatest increases in employment, between 1960 and 1980, occurred in the services sector. In both cases, they are almost double the total growth of employment.

As a result of a swollen urban informal sector, the productivity of services is much lower in Latin America than in the developed capitalist countries; in 1980 it was almost four times higher in the latter countries. In contrast, the productivity of the industrial workforce was only 2.5 times higher in the developed capitalist countries, owing to the unique role they have been called upon to play in the creation and incorporation of technical innovations and the differences in the industrial structure.

In Latin America in 1980 group A, with the urban informal sector accounting for 23% of the urban labour force, had a level of productivity of the services sector of US\$ 5 738 at current prices (see table 6). Group B, with 31.5% of urban informal sector, had a productivity of US\$ 3 036. US\$ 4 231. Group C, with 44.5% of urban informal sector, had a productivity of US 3 036. Thus, group A, whose proportion of workers in the urban informal sector was only half that of group C, had close on double the latter's productivity in the services sector.

The differences in the growth of the labour force, especially in urban areas, are factors that account for underemployment. Between 1950 and 1980 the Latin American labour force grew at an annual cumulative rate of 2.4% and the non-agricultural urban force at a rate of 3.7% (PREALC, 1980). Between 1960 and 1980 the labour force in Latin America increased at a cumulative 2.8% per annum and the urban labour force at 4.2% (World Bank, 1982). For the same period (1960-1980) the developed capitalist countries recorded an annual growth of the labour force of only 1.2% and 1.8% for the non-agricultural workforce, figures which are much lower than those of Latin America. Indeed, in the

Table 6  
PRODUCTIVITY OF LABOUR FORCE  
IN CURRENT DOLLARS

	Agri- cultural	Indus- trial	Servi- ces	Total
<i>Group A</i>				
1960	496	1 162	1 213	1 017
1980	4 291	9 613	5 738	6 520
<i>Group B</i>				
1960	209	1 162	1 009	613
1980	1 319	5 515	4 231	3 625
<i>Group C</i>				
1960	166	585	869	388
1980	654	3 575	3 036	1 939
<i>Latin America</i>				
1960	232	1 083	1 055	633
1980	1 424	6 125	4 459	3 891
<i>Developed capitalist countries</i>				
1960	918	2 804	3 265	2 700
1980	7 604	15 793	16 506	15 719

Source: PREDESAL, based on data from World Bank (1982 a).

socialist countries of eastern Europe the labour force increased by only around 1% per annum between 1960 and 1980.

For a better understanding of the importance of the increase in the labour force, and above all the urban labour force, in Latin America, we need only note that during this century the annual growth of the labour force in the United States has been around 1.6% while in countries like Germany, Belgium, France, Italy and the United Kingdom the rate has been less than 1% during the same period.

In the history of the United States there was a period of growth (1870-1900) very similar to that of Latin America, when the labour force increased at an annual cumulative 2.7% and the non-agricultural workforce at 3.5%. This was due to the impulse given by the great international immigrations—the total population grew at a rate of barely 2%—with employment assured for the newcomers. The industrial revolution of the United States attracted immigrants who found suitable jobs there (table 7).<sup>6</sup>

<sup>6</sup> According to V. Tokman (1982), the fact that in the United States the proportion of agricultural labour has fallen from 55% to 35% and that the growth of the total and urban

Table 7  
GROWTH OF LABOUR FORCE

		1900-1950	1960-1970	1970-1980
	<i>1950-1980</i>			
Latin America (14 countries)	2.4			
	<i>1870-1900</i>			
United States	2.7	1.6	1.8	1.5
United Kingdom		0.7	0.6	0.3
Italy		0.6	-0.1	0.7
Germany		0.8	0.2	0.7
	<i>1913-1947</i>			
Japan	0.7	—	1.9	1.3
Sweden		1.0	1.0	1.3
France		0.1	0.6	1.1
Netherlands		1.5	1.6	1.3
	<i>1895-1946</i>			
Belgium	0.3		0.3	0.7
	<i>1895-1914</i>			
Argentina	3.7		1.3	1.2

Source: For 1960-1970 and 1970-1980: World Bank (1982a); for Latin America 1950-1980: PREALC (1980) and Kuznets (1961); for Argentina 1875-1914: Clark (1957); for United States 1870-1900: Lebergott (1964).

Something similar occurred in Argentina: between 1895 and 1914 the total labour force grew at an annual cumulative rate of 3.7%, and the urban workforce undoubtedly increased even faster. But Argentina was also a country with vast empty spaces, which encouraged immigration by assuring employment of reasonable productivity.

By contrast, in Latin America similar growth rates of the urban labour force are due not only to urban attraction caused by the city's own economic dynamism but also to rural expulsion as a result of the economic and power relations typical of the region's agriculture. Where these expulsive factors exist, this means that the increased urban labour force has no assured productive employment in the urban areas, as would apply in the case of international migration. And it is this high growth rate of the urban workforce

that explains the persistence of the informal sector in the urban labour force and the high rate of growth of its activities.

As the growth of the urban workforce is lower in group A (a cumulative annual rate of 2.5%) than in groups B (4.4%) and C (3.8%), it might be inferred that this group was in a better position to solve the underemployment problem. However, the lack of dynamism prevented any such improvement. In the countries of groups B and C, for their part, which had greater economic dynamism, there was a notably faster increase in the urban labour force.

The growth of the urban workforce is the result of the natural increase of the population and of the internal migration flows from rural to urban areas.

Between 1950 and 1980 the Latin American population grew at an annual cumulative 2.9%, whereas in the developed capitalist countries between 1960 and 1980 the corresponding figure was 0.9%. This growth was due to the fall in mortality, coupled with persistently high birth rates, owing to the improvement in health services and nutrition. The fertility rate continued

labour force presents rates similar to those of Latin America in 1950-1980 proves that the growth of the urban workforce is of less importance for the employment problem. With a different thesis and interpretation, our study has been based on the methodology of this author.

to rise as income levels fell; the proportion of rural population was higher, and the level of education was lower, especially among women. This is the cause of the differences between Latin America and the developed capitalist countries. In 1980 the per capita product in Latin America was five times lower than that of the developed capitalist countries and the region's rural population amounted to 41% as against 22% in the latter countries. The same differences occur between Latin American countries. In group A, with its higher income and smaller proportion of rural population, the rates of population growth are lower than in groups B and C.

Population growth is closely linked with the general development of the region. The higher levels of income, urbanization and female education produced by development will make possible a decline in the birth rate and thereby lower natural growth of the population and hence of the workforce. In Latin America the countries with higher levels of income and urbanization and lower levels of illiteracy, such as Uruguay and Argentina, have very much lower population growth rates than the other Latin American countries.

The rural-urban migrations are caused by both urban attraction and rural expulsion. These migratory flows are universal in Latin America and account for 38% of the growth of the urban workforce. Urban attraction is so strong that in some countries of the region urbanization even precedes industrialization. In the last 30 years, however, industrialization has generated conditions of attraction which have fostered internal migration.

In countries like Peru, even the fact of being among the 30% of lowest-income families in Lima has meant an income 5.4 times higher than that obtained by the 30% of lowest-income families in the rural *sierra* (Couriel, 1981).

Migration in the developed societies does not mean high growth rates in the urban workforce, because of the small proportion of rural population; in these countries the rural population amounted to 22% of the total population in 1980, and those employed in agriculture constituted only 6% of the total labour force.

In Latin America, by contrast, because of the larger proportion of rural population and agricultural workers, internal migration swells the

urban workforce and hampers its absorption in full-time productive employment at determined levels of productivity. Besides the factors of urban attraction, account must also be taken of the factors of rural expulsion, which stimulate this migration. The characteristics of agricultural modernization and the prevailing power relations have a decisive incidence on expulsion from the rural areas. Agricultural modernization expels manpower through two mechanisms. On the one hand, the advance of modernization has caused the transfer of part of the peasant sector to marginal land of inferior quality. This transfer has taken various forms, many of them coercive, as a result of the power relations in the rural areas which affect the peasant sectors. Expelled from their land, these peasants find it more difficult to produce the basic foods for their family group and are obliged to supplement their income with other occasional work, or to emigrate to other regions, particularly the cities. The need to eat forces them to emigrate. In Peru, the achievement of literacy by the younger generation in the rural *sierra* gives them a passport to emigrate to urban areas.

On the other hand, with the modernization of agriculture in Latin America the growth in production is lower than in the urban areas, and the level of labour absorption is particularly low. Between 1950 and 1980 employment in the modern rural sector grew hardly at all, with an annual cumulative rate of 0.5%. There can be no doubt that this reflects the techniques applied in the region, which involve extensive mechanization and little irrigation, thus affecting the absorption of labour. The use of techniques unsuited to the combination of resources in the region is also explained by the relations between agriculture and industry and the action of the State. The meagre production of capital goods and the lack of creation and adaptation of technology in Latin American industry have hampered the promotion of agricultural techniques adapted to the abundance of land and labour. Hence techniques have been adopted that were devised in the developed countries, where labour is scarce, and these have proved inefficient in the conditions of the region. Moreover, through the instruments of economic policy it has applied (tariffs, taxes, prices and credits), the State has promoted the use of techniques involving overcapitalization in

relation to the local resource endowment.

The features of power relations in Latin America, particularly in rural areas, affected the peasant sectors, which have not benefitted as they should from land distribution, water supply, access roads, financial and technical assistance, price ratios, or wage levels when they undertake occasional labour.

Even in countries in which extensive agrarian reforms were implemented, such as Peru and Chile, large sectors received no benefit from the measures of the State. In Peru, the agrarian reform of 1969 failed to reach 75% of the agricultural population, which did not enjoy the advantages of the policies of land reform, prices credit and technical assistance. In Chile close on 80% of the agricultural labour force had no share in the redistribution of land.

There is indubitably a basic problem here: the man/land ratio is very high and it was difficult to include the whole of the farming population in these two agrarian reform processes. But there are also styles of management, forms of modernization, and priorities in the use of economic policy instruments which are detrimental to the traditional rural sector, such as self-employed workers and smallholders. All this has a decisive influence on the expulsion of rural population to the urban areas; moreover, their own natural growth raises the man/land ratio and makes the food situation still worse.

To sum up, the factors of rural expulsion are a primary cause of the growth of the urban workforce and the growth in employment in the urban informal sector. Further, the conditions of rural expulsion do not ensure productive employment in the city, in contrast with what occurred in the United States between 1870 and 1900, when it was the international migrations which accounted for the increase in the urban labour force.

Thus, the evolution of Latin American agriculture and its forms of modernization are factors that explain the persistence of underemployment in the region. In the period 1960-1980 the performance of agriculture was relatively dynamic. The agricultural product rose at an annual cumulative rate of 3.4% as against 6% for the non-agricultural product. Compared with the developed capitalist countries, the increase in agricultural production in

Latin America was two points higher: 3.4% as against 1.4%.

During the same period, the growth of employment in agriculture in Latin America was much lower than that of the non-agricultural sectors: an annual cumulative 0.7% compared with 4.3%. The low absorption capacity of agriculture has a powerful influence also on the continuing underemployment in the region. The developed capitalist countries, with a very low proportion of their workers employed in agriculture, expelled labour at an annual cumulative rate of -3.9% in the same period.

The low capacity of agriculture for absorption is of interest in understanding the trend of the productivity levels of the agricultural labour force. For Latin America as a whole, this productivity rose at rates above those of the industrial and services sectors. Between 1960 and 1980 it achieved an annual cumulative 2.7% in comparison with 2.2% in the industrial sector and 1.3% in services.

In group A, in which the proportion of workers in agriculture is very low, the rise in productivity of the agricultural labour force reached an annual cumulative rate of 3%, because agricultural employment fell in absolute terms at a rate of -0.3%. In group B, since the absorption of labour in agriculture is very low (0.5%), there was also a greater rise in the productivity of the agricultural labour force than in that of the other sectors: 3.2% compared with 2.5% in industry and 1.7% in services. In group C, however, where the levels of agricultural employment remain higher, the increase in the productivity of the agricultural labour force was lower than that of the industrial sector.

The dynamism of agricultural production is undoubtedly the result of production increases in the modern sector. The absorption of labour, however, has been insufficient in this sector; in 1950-1980 the rate was an annual cumulative 0.5% which meant a relative decline in the proportion of workers in the modern rural sector in relation to the total employed in agriculture (40.5% in 1950 and 35.2% in 1980).

The low capacity for absorption of labour in the rural modern sector is observable in all three groups of countries. In group A employment declined in absolute terms (an annual cumulative -1.1%), in group B it rose by only 1%, and in

group C it went down by an annual cumulative -1.5%. This low capacity may be due to changes in land use and to the application of technologies that make little use of labour, which may imply a trend away from labour-intensive crops to others with less demand for manpower.

Among the technologies applied in the agricultural sector, we regard as basic the use of fertilizers, irrigation and mechanization. The first two may be considered labour-absorbing techniques. Mechanization, for its part, does not usually improve the productivity of the land, but it does improve that of labour, with the result that it displaces this abundant resource.

Fertilizer use in Latin America amounts to 15 tons per 1 000 hectares of arable land, as against 54 in the United States and 504 in the Netherlands. In Latin America irrigation covers 8.3% of the arable area, in the United States 11% and in Japan 67%. As regards the number of tractors per 1 000 arable hectares, Latin America has 5.1, the United States 25, Japan 225 and the Netherlands 207 (table 8).

Since the region does not create technology,

it copies the techniques of the developed countries, which have a different resource endowment. In 1980, for example, while Latin America had 35% of its labour force in the agricultural sector, the corresponding figures were 2% in the United States and 6% in the Netherlands. This explains why the developed countries are interested in mechanizing agriculture. In the United States, in 1980, 2 142 tractors were in use per 1 000 members of the agricultural EAP, and 608 in the Netherlands. In Latin America, in contrast, 21 tractors per 1 000 members of the agricultural EAP were in use. Although the level of application of agricultural techniques is much lower in Latin America, it might have been more advantageous, in view of the available resources, to develop irrigation and fertilizer use rather than the use of tractors. The lack of labour absorption in the rural modern sector may be the reflection of mechanization, even encouraged by State-administered economic policy instruments such as tariffs, taxes, exchange rates and credit, which have given rise to price ratios more favourable to the use of machinery than of manpower.

Table 8  
AGRICULTURAL TECHNOLOGY, 1980

	Cereal yield/ hectare	Cereals		% irri- gated area	Fertilizers		Tractor (units)	
		Agric. EAP	Trac- tors		Tons/1 000 arable hectares	1 000 agric. EAP	1 000/ arable hectares	1 000 agric. EAP
United States	4 162	135.6	0.06	10.8	54.2	4 639.5	25.0	2 142.0
Bulgaria	3 854	5.3	0.13	28.6	100.6	272.0	14.8	40.0
Japan	5 272	2.2	0.01	66.6	159.2	117.5	224.5	165.7
Netherlands	5 688	4.4	0.01	31.9	504.6	1 659.1	206.7	607.5
Mexico	1 918	1.6	0.10	22.0	35.6	114.6	4.9	15.8
Brazil	1 329	1.8	0.08	2.9	12.7	52.0	5.2	21.2
Argentina	2 204	13.0	0.09	4.5	1.7	43.4	5.8	150.0
Colombia	2 390	1.3	0.11	5.5	26.9	68.4	4.9	18.0
Venezuela	1 882	1.8	0.04	8.5	26.1	118.3	6.3	4.0
Costa Rica	2 207	1.0	0.04		80.4	152.7	9.9	22.0
El Salvador	1 737	0.8	0.18		71.3	68.3	4.6	4.4
Guatemala	1 524	0.9	0.26	3.8	32.1	48.8	2.2	3.3
Latin America		1.8	0.09	8.3	15.0	61.6	5.1	21.0
Group A		6.8	0.07	7.0	5.8	83.3	6.3	91.2
Group B		1.7	0.09	7.9	19.3	70.4	5.1	18.6
Group C		0.6	0.15	13.9	17.6	31.4	0.5	3.7

Source: PREDESAL, based on FAO (1981).

This may be another manifestation of the lack of planning of resource use in Latin America.

The nub of the underemployment problem in Latin America lies in the high proportion accounted for by the traditional rural sector in agriculture, the increase in self-employed workers and the high proportion of peasants who do not improve their productivity or income on their farms.

While employment in the agricultural modern sector in the period 1950-1980 went up by only an annual cumulative 0.5%, the traditional rural sector increased its manpower by 1.2%, so that its share of the total employed in agriculture rose from 59.4% in 1950 to 64.8% in 1980.

The process of modernization and economic growth in the region has not done away with the contingent of self-employed agricultural workers. Indeed, they have increased their share in agriculture, but owing to the mass migration to urban areas their share in the total labour force declined from 32.5% in 1950 to 22.6% in 1980. For the same reason, the proportion of rural underemployed in the total of underemployed fell from 70.5% in 1950 to 53.8% in 1980.

Thirty years of agricultural modernization have not absorbed them. Population growth, and in some cases the expulsion to marginal land, prevents them from producing enough food owing to the rise in the man/land ratio. They emigrate to the cities, but this merely converts them from self-employed agricultural workers into self-employed urban workers and from rural underemployed into urban underemployed.

They might be able to improve their productivity and income levels in their own establishments or on new land that might be given them, but in most of the countries the power relations have prevented them from deriving real benefit from agrarian policies. In general, they have also suffered from the prevailing policies concerning prices, credit and technical assistance.

The presence of these self-employed agricultural workers explains the differences in productivity between the three groups of Latin American countries, especially in agriculture and services.

In 1980 group A, with a very low level of poverty and only 9% of its total labour force employed in the traditional rural sector, reg-

istered a level of productivity of its agricultural labour force 6.6 times higher than that of group C, which had 35% of its workers in the traditional rural sector. In group B, with 24% in the traditional rural sector, the productivity of the agricultural labour force was twice that of group C. The proportion of workers employed in the traditional rural sector is the most pertinent factor in these differences in labour productivity.

The existence of the traditional rural sector explains why the differences in productivity of the agricultural labour force are greater, between the three groups of countries, than those of the labour force in the industrial and services sectors.

The same applies in the comparison between Latin America as a whole and the developed capitalist countries. In 1980 the productivity of the agricultural labour force in the developed capitalist countries was 5.3 times higher than that of Latin America, that of their services sector was 3.7 times higher, owing to the presence of the urban informal sector, and that of their industrial sector was 2.6 times higher.

The productivity of the services labour force in the developed capitalist countries is higher than that of the industrial sector. In contrast, in Latin America the presence of the urban informal sector, largely owing to rural-urban migration, leads to lower labour productivity in the services sector than in the industrial sector, both for the region as a whole and for each of the groups of countries analysed.

In agriculture, a high proportion of the traditional peasant sector scrape along on their holdings, working at low levels of productivity on plots too small to incorporate technical advances, with meagre incomes which they normally have to supplement by working as semiproletarian labourers outside their farms. The total income they receive is not enough to satisfy their minimum basic needs.

Another portion of the peasantry has been expelled from their land by the penetration of capitalism and modernization in the rural areas and has either had to move to land of poorer quality, less extensive, with a probable increase in the man/land ratios which weakens still further their food situation, or else they have emigrated to the city and joined the urban informal sector.

The presence of this peasant sector explains



also the low agricultural wages, since they function as a reserve army. To the extent that emigration to the city augments the urban informal

sector, it also has an indirect impact on the low wage levels in the urban areas themselves.

### III

## An analysis of the Latin American countries that have improved their employment situation

The evolution of the Latin American countries in which levels of underemployment have declined confirms the thesis presented in the preceding section concerning the main causes of the persistence of underemployment. Mexico, Panama and Guatemala improved their situation by over 10 points in the 30 years considered; Colombia, Costa Rica and Venezuela reduced underemployment by between 5 and 10 points; Chile and Brazil improved by less than 5 points in the said period; the rest maintained their proportion of underemployed or even increased it.

The importance of agriculture is noticeable in the countries in which there was the greatest fall in underemployment. In those where in 1950 over a third of the labour force was engaged in the traditional rural sector (Mexico, Panama, Guatemala and Colombia), the underemployment situation has improved because the modernization of agriculture absorbed manpower and the modern rural sector increased its share in the total of those employed in agriculture. In these cases the evolution of the informal urban sector in the total number of urban employed is

Table 9  
MEXICO, BRAZIL, COLOMBIA, PANAMA AND GUATEMALA:  
EMPLOYMENT INDICATORS

	Mexico		Brazil		Colombia		Panama		Guatemala	
	1950	1980	1950	1980	1950	1980	1950	1980	1950	1980
% underemployed	56.9	40.4	48.3	44.5	48.3	41.0	58.8	45.5	61.0	50.9
Traditional rural/total	44.0	18.4	37.6	27.6	33.0	18.7	47.0	24.6	44.8	33.1
% rural population	53.9	29.3	69.2	46.0	63.6	37.9	64.6	46.5	76.0	58.4
% agricultural employment	64.4	37.6	60.1	37.4	59.2	34.5	53.2	33.7	68.5	55.4
Traditional rural/ agricultural	68.3	49.0	62.6	73.8	55.3	54.2	88.4	73.0	65.4	59.8
Urban informal/urban	37.4	35.8	27.3	27.3	39.0	34.4	25.3	31.6	51.6	40.0
% rural underemployed/underemployed	77.3	45.5	77.8	62.0	68.3	45.6	79.9	54.1	73.4	66.2
<i>Growth 1950-1980</i>										
Total population	3.4		2.9		2.9		2.8		3.1	
Urban population	4.9		4.9		4.8		4.2		5.0	
Rural population	1.4		1.5		1.6		1.7		2.2	
Total EAP	2.5		2.8		2.4		2.7		2.5	
Urban EAP	4.5		4.4		4.1		3.9		3.7	
Agricultural EAP	0.7		1.2		0.5		1.2		1.8	
Urban formal employment	4.6		4.4		4.4				4.5	
Urban informal employment	4.4		4.4		3.7				2.8	
Agricultural modern employment	2.3		0.1		0.6		4.1		2.3	
Agricultural traditional employment	-0.4		1.8		0.4		0.6		1.6	

Source: PREALC and ECLAC for data on total, urban and rural population.

Table 10  
MEXICO, BRAZIL, COLOMBIA, PANAMA AND GUATEMALA:  
ECONOMIC INDICATORS

	Mexico		Brazil		Colombia		Panama		Guatemala	
	1960	1980	1960	1980	1960	1980	1960	1980	1960	1980
Product per capita <sup>a</sup>	326	2 090	336	2 050	258	1 180	384	1 730	262	1 080
Total productivity <sup>b</sup>	640	4 683	624	3 517	516	1 846	738	3 363	514	1 991
Agricultural productivity <sup>b</sup>	186	1 301	192	1 172	334	1 988	335	1 993	250	1 014
Industrial productivity <sup>b</sup>	928	6 844	1 485	5 421	706	2 637	1 100	3 429	532	
Services productivity <sup>b</sup>	1 408	6 408	926	4 052	688	1 463	1 181	4 014	1 432	4 324
<i>Employment growth 1960-1980</i>										
Total	3.2		3.3		3.7		2.9		3.4	
Agricultural	1.1		0.3		0.3		-0.3		2.4	
Industrial	4.6		5.4		4.2		4.2		5.5	
Services	5.4		4.7		6.7		5.3		4.6	
<i>GDP growth 1960-1980</i>										
Total	6.2		6.9		5.5		5.9		5.6	
Agricultural	3.0		4.1		4.2		3.8		4.4	
Industrial	7.8		7.8		5.4		6.0		7.7	
Services	5.9		7.5		6.5		6.6		5.5	
<i>Productivity growth 1960-1980<sup>b</sup></i>										
Total	2.9		3.4		1.7		3.0		2.1	
Agricultural	1.9		3.8		3.9		4.2		2.0	
Industrial	3.1		2.2		1.1		1.7		2.1	
Services	0.5		2.6		-0.1		1.3		0.8	

Source: PREDESAL, based on data from World Bank (1982a).

<sup>a</sup>Current dollars.

<sup>b</sup>Productivity of labour force.

less important; in Panama there was even a decline in underemployment owing to the absorption capacity of the modern rural sector, despite the fact that the informal sector increased its percentage among the urban employed.

In countries like Peru, El Salvador and Bolivia, which in 1950 had more than a third of their labour force in the traditional rural sector, notwithstanding the fall in the share of the informal sector in the total of urban employed, the incapacity of the rural modern sector to absorb labour was determinant in the maintenance or increase of underemployment in the 30 years considered.

In those countries in which less than a third of the labour force was in the traditional rural sector, the evolution of urban employment

helped to alleviate underemployment, as occurred in Costa Rica and Venezuela.

Mexico is the country in which there was the greatest decline in underemployment during the period, amounting to 17 points in 30 years (from 56.9% in 1950 to 40.4% in 1980). The poverty figures also fell significantly: 52% in 1963 to 34% in 1977 (PREDESAL, 1983). Mexico's economic growth was one of the most rapid in the region. Between 1960 and 1980 the gross domestic product rose by 6.2% per year, stimulated by the industrial sector (7.8%). On the demand side the growth of investment and government consumption played an important part. In 1960-1980, Latin America recorded a growth rate of 5.6% per year and the developed capitalist countries, 4.2%, both figures lower than the Mexican rate.

Table 11  
 ARGENTINA, URUGUAY, CHILE, COSTA RICA AND VENEZUELA:  
 EMPLOYMENT INDICATORS, 1950 AND 1980

	Argentina		Uruguay		Chile		Costa Rica		Venezuela	
	1950	1980	1950	1980	1950	1980	1950	1980	1950	1980
% underemployed	22.8	25.7	19.3	27.0	31.0	29.0	32.2	27.2	38.9	31.5
Traditional rural/rural	27.7	41.7	21.8	45.7	27.8	38.6	33.4	43.0	49.1	77.4
Traditional rural/total	7.6	6.3	4.8	8.0	8.9	8.8	20.4	14.8	22.5	15.1
% rural population	35.8	28.3	21.0	15.0	45.2	24.6	71.0	57.0	51.3	25.6
% agricultural employment	27.5	15.1	22.0	17.5	32.0	22.8	57.7	34.4	45.8	19.5
Urban informal/urban	21.0	23.0	18.6	23.1	35.1	27.1	29.3	19.0	32.1	20.8
% rural underemployed/ underemployed	33.3	24.5	24.9	29.6	28.7	30.4	62.4	54.4	57.8	47.9
<i>Growth 1950-1980</i>										
Total population		1.8		1.2		2.4		3.8		3.7
Total EAP		1.4		0.8		1.6		3.2		3.1
Urban population		2.2		1.4		3.5		5.2		5.2
Urban EAP		1.4		0.8		1.6		4.8		4.6
Rural population		1.0		-		0.3		3.1		1.3
Agricultural EAP		-0.6		-		0.5		1.5		0.02
Urban formal employment		1.3		0.8		2.6		5.2		5.1
Urban informal employment		1.7		1.5		0.7		3.3		3.1
Modern agricultural employment		-1.3		-1.2		-0.1		1.1		-2.7
Traditional agricultural employment		0.7		2.5		1.6		1.9		1.5

Source: PREALC and ECLAC for data on total, urban and rural population.

The growth of employment was also high in relation to the international rate. Total employment and that of each of the sectors rose at higher rates than those of Latin America as a whole and the developed capitalist countries. Mexico did not suffer from insufficient dynamism and achieved high labour absorption in the modern urban sector, which grew at the notable annual cumulative rate of 4.6% between 1950 and 1980. As in Latin America as a whole, the growth of the informal urban sector was very high and almost equal to that of the modern urban sector. Thus, informal employment grew at an annual cumulative 4.4%, owing to the high growth rate of the urban workforce. The growth rates of the population, especially the urban, were also very high. Between 1950 and 1980 the population as a whole grew at an annual cumulative rate of 3.4%, the urban population at 4.9% and the urban economically active population at 4.5%. This high growth of the urban workforce, influenced by the rural-urban migrations, was a determining factor in

the high growth rate of employment in the urban informal sector.

The great difference between Mexico and the Latin American countries as a whole lies in the evolution of agriculture. The agrarian transformation in the last 50 years and the style of agricultural modernization created a greater capacity for absorption in the modern rural sector, which explains the fall in underemployment and poverty.

Employment in modern agriculture grew at an annual cumulative rate of 2.3% between 1950 and 1980, while in Latin America the growth rate was barely 0.5%.<sup>11</sup> At the same time, the

<sup>11</sup> In the period 1946-1948 to 1976-1978 the growth rate of the direct labour demand, according to the demand of the 21 principal crops, reached 1.9%. The growth of the area cultivated led to an increase of 2.8% in the demand for labour, while the effect of mechanization produced negative growth of -0.8%. The composition of the crops through changes in land use only generated negative growth in the direct demand for labour (-0.1%).

traditional rural sector in Mexico declined in absolute terms at a rate of -0.4%, while in Latin America it grew at an annual cumulative rate of 1.2%. Employment in the rural modern sector expanded in Mexico from 31.7% of the total employed in agriculture in 1950 to 51% in 1980. The incorporation of new land influenced labour absorption in the modern sector. The modernization of agriculture was based on the introduction of labour-intensive techniques. The area irrigated reached 22% of the total arable area in 1980, as against an average of 8.3% for Latin America. The use of fertilizers per arable hectare and per unit of the economically active population was almost double the Latin American average. Mechanization was intensified only from 1973 onwards.

In essence the fall in underemployment was

due to the dynamism of agriculture and especially to the forms of modernization, which made possible greater absorption in the modern agrarian sector and an absolute reduction in the number of self-employed agricultural workers. Hence the productivity of the agricultural labour force rose less than that of the industrial workforce, in contrast to what happened in Latin America as a whole.

Over the period 1960-1980, the productivity of the Mexican agricultural labour force rose by 1.9% per year while the growth in industry was an annual cumulative 3.1%. In Latin America the corresponding figures were 2.7% and 2.3% respectively.

In *Panama* there was also a notable decline in underemployment, with marked economic dynamism, and once again the conditions of

Table 12  
ARGENTINA, URUGUAY, CHILE, COSTA RICA AND VENEZUELA:  
ECONOMIC INDICATORS, 1960 AND 1980

	Argentina		Uruguay		Chile		Costa Rica		Venezuela	
	1960	1980	1960	1980	1960	1980	1960	1980	1960	1980
Product per capita <sup>a</sup>	538	2 390	439	2 810	492	2 150	412	1 730	1 003	3 630
Total productivity <sup>b</sup>	840	7 502	685	4 614	863	4 080	825	3 801	1 966	7 325
Agricultural productivity <sup>b</sup>	672	7 443	621	4 194	288	1 504	422	2 227	337	2 442
Industrial productivity <sup>b</sup>	887	9 512	662	4 756	2 199	7 943	864	4 782	1 963	40
Services productivity <sup>b</sup>	878	6 561	726	4 616	673	3 685	1 487	4 281	3 294	6 260
<i>Employment growth 1960-1980</i>										
Total		1.4		0.6		2.4		3.7		3.8
Agricultural		-0.7		-2.6		0.04		0.8		0.5
Industrial		0.1		1.1		2.1		4.7		4.9
Services		2.9		1.3		3.5		6.2		5.1
<i>Product growth 1960-1980</i>										
Total		3.2		2.3		3.4		6.1		5.5
Agricultural		2.4		1.0		2.4		4.1		4.8
Industrial		3.8		3.1		2.5		8.8		3.8
Services		3.0		2.3		4.3		5.8		6.9
<i>Productivity growth 1960-1980<sup>b</sup></i>										
Total		1.8		1.7		1.0		2.3		1.6
Agricultural		3.2		3.7		2.3		3.3		4.3
Industrial		3.6		2.0		0.4		3.9		1.0
Services		0.1		1.0		0.8		-0.3		1.7

Source: PREDESAL, based on data from World Bank (1982).

<sup>a</sup>Current dollars.

<sup>b</sup>Productivity of labour force.

growth in agriculture explain the improvement. The percentage of underemployed went down from 58.8% to 45.5% between 1950 and 1980 (more than 13 points), while the growth of the product in 1960-1980 was 5.9% per year, a little higher than the Latin American average. The main reason for this was the intense growth in the production of the urban sectors (6.6% in services and 6% in the industrial sector), which also registered a high rate of expansion in employment (5.3% and 4.2%) although the growth rate was higher in the informal than in the formal sector. Thus, the proportion of employment accounted for by the informal urban sector rose from 25.3% in 1950 to 31.6% in 1980, partly also as a result of the high growth rate of the urban workforce (an annual cumulative 3.9%).

The decline in underemployment is explained by the characteristics of the evolution of agriculture. Whereas in the modern agricultural sector employment increased at a rate of 4.1% between 1950 and 1980, the traditional sector's growth rate was only 0.6%. Thus, despite the mass migrations, the modern rural sector increased its share not only in the total of those employed in agriculture, but also in the total labour force.

In *Guatemala* likewise there was a decline in underemployment and great dynamism in the economy. Underemployment fell by around 10 points (from 61% in 1950 to 50.9% in 1980). The product grew by 5.6% per year in the period 1960-1980, the industrial sector leading with 7.7%. Employment expansion was marked in the agricultural sector as well as in the rest. The formal urban sector showed a high capacity for labour absorption and grew at a rate of 4.5%, compared with employment increases in the urban informal sector of 2.8%. There was a notable diminution in unemployment in the urban areas, but owing to its weight in total employment, the evolution of agriculture was determinant in the fall in the levels of underemployment. Thus, the modern agricultural sector expanded its employment at an annual cumulative rate of 2.3% while in the traditional rural sector the annual cumulative growth rate was 1.6%. The agricultural product increased considerably compared with international rates. Between 1960 and 1980 it rose at a cumulative 4.4% per annum, while in Latin America the rate was 3.4% and in the developed

capitalist countries, 1.4%.

The absorption capacity of the modern rural sector was also due to the nature of the agricultural modernization process followed, the use of labour-absorbing techniques which largely explains the fall in underemployment. Thus, in 1980 32.1 tons of fertilizers were used per 1 000 arable hectares as against 15 tons for Latin America as a whole, whereas the number of tractors used was lower: 2.2 tractors per 1 000 arable hectares in 1980 as against 5.1 for Latin America. Hence in *Guatemala* the productivity of the agricultural labour force rose at almost the same rate as that of the industrial sector.

In *Colombia* also there was a fall in underemployment along with great economic dynamism. Underemployment went down by around 7 points, falling from 48.3% in 1950 to 41% in 1980. The product rose at an annual cumulative rate of 5.5%, with high rates in the various sectors. Agricultural production grew by 4.4%, industry by 5.4%, and services by 6.5% (cumulative annual rates for the period 1960-1980). There was a notable rise in employment, particularly in the non-agricultural sectors. In the formal urban sector the employment growth rate was 4.4% between 1950 and 1980, i.e., higher than that of the informal urban sector (3.7%). Urban underemployment declined, despite the fact that the urban *EAP* grew during the period at a cumulative rate of 4.1% per annum.

Owing to the high proportion of the total labour force employed in agriculture, the evolution of this sector is very relevant. Its share in the labour force fell from 59.2% in 1950 to 34.5% in 1980.

Employment in the modern agricultural sector grew at the rate of 0.6% per year, while the rate for the traditional rural sector was 0.4%. The structure of employment in agriculture remained practically unchanged. The forms of agricultural modernization and the considerable dynamism of this sector largely explain the decline in underemployment. The use of fertilizers per hectare of arable land was almost double that of Latin America as a whole, but there was a lower average of tractors per arable hectare and per unit of the agricultural *EAP*. Because of the heavy migrations to the towns, the productivity of the agricultural labour force in *Colombia* rose more than in the rest of the sectors.

*Costa Rica* began the period without the serious rural problems that beset the remainder of the region, since in 1950 the traditional rural sector represented only 20.4% of the total labour force. The evolution of the urban sector explains the trend of underemployment, which declined from 32.2% in 1950 to 27.2% in 1980. The product rose by 6.1% per year in the period 1960-1980, headed by the industrial sector (with a cumulative 8.8% per annum). There was also notable expansion in employment, especially in the non-agricultural sectors. In the formal urban sector the growth rate was 5.2%, which shows the high absorption capacity of the modern sector. The informal sector recorded an annual rate of 3.3%, and the total urban EAP a cumulative annual rate of 4.8%. As the proportion accounted for by the traditional rural sector was smaller, it is the high absorption capacity of the modern urban sector which accounts for the drop in underemployment.

The performance of the agricultural sector was dynamic during the period. Employment in the modern rural sector rose at an annual cumulative rate of 1.1%, while in the traditional sector the rate was 1.9%. The increase in underemployment in the rural sector was more than offset by the high absorption of the modern urban sector, thanks to the smaller proportion of the traditional rural sector in the total labour force.

The type of agricultural modernization carried out in *Costa Rica* resulted in fertilizer use per hectare five times as high as the Latin American average, with almost double the number of tractors per hectare, which accounts for a certain recession in the agricultural employment structure.

In *Venezuela*, as in *Costa Rica*, only 22.5% of the labour force was in the traditional rural sector in 1950. Hence the decline in underemployment, which fell from 38.9% in 1950 to 31.5% in 1980, was due more to the evolution of the urban areas. The product rose at an annual cumulative rate of 5.5%, which signified a marked rise in employment in the urban sectors. Employment in the modern urban sector grew at an annual cumulative rate of 5.1% and at 3.1% in the informal sector; the urban economically active population increased at an annual cumulative

rate of 4.6%. These high rates explain the fall in underemployment.

There was great economic dynamism in agriculture, but in the modern rural sector employment levels fell in absolute terms at an annual cumulative rate of -2.7%, while employment in the traditional sector rose by 1.5% per year. The characteristics of the agricultural modernization process had an inevitable effect on the evolution of this sector's employment structure. *Venezuela* is one of the Latin American countries that uses most tractors per arable hectare, and this partly explains the low employment absorption in the modern agricultural sector. The evolution of agriculture is not decisive for underemployment, however, because of the smaller proportion of the traditional rural sector in the total labour force.

*Brazil* illustrates what has already been said about the region as a whole. Underemployment fell by less than four points in 30 years, despite intense economic growth (at an annual rate of 6.9% for the product and 7.8% for the industrial sector), which signified a notable expansion of employment in the urban areas. The formal urban sector displayed a high capacity for labour absorption growing at a cumulative 4.4% per annum between 1950 and 1980. The informal sector registered the same rate, owing to the great increase in the urban workforce, which also grew at a cumulative 4.4% per annum. This means that the urban employment structure remained unchanged, not through lack of dynamism, nor incapacity of the modern urban sector to absorb labour, but because of the massive increase in the urban labour force, swollen by the rural-urban migrations. In the agricultural sector the rate of economic growth was also high, but employment in the modern sector rose by barely 0.1%, while in the traditional sector it went up by a cumulative 1.8% per annum in the period 1950-1980. The features of the agricultural modernization process were responsible for the maintenance or limited decline in the level of underemployment. Irrigation covers only 2.9% of the arable area, compared with 8.3% for Latin America as a whole. The use of fertilizers per hectare and per unit of the agricultural EAP was less than the average for Latin America during this period, but the use of tractors was slightly higher than the Latin American average. Owing

to the style of modernization, the modern agricultural sector could not absorb labour and the number of self-employed rural workers increased, contributing to the high growth rate of the urban workforce and limiting the possibilities of improving employment in the urban areas, despite the high absorption capacity of the modern urban sector. The slight decline in underemployment was due to the relative fall in agricultural employment in the total labour force.

*Chile* is a typical case of dynamic insufficiency, beginning with a traditional rural sector which is very small compared with the total labour force. Underemployment fell by barely two points in 30 years. The per capita product

went up by 1% per year, but there was no growth in per capita terms in the agricultural and industrial sectors. In the formal urban sector employment rose at a rate of 2.6%; in the informal at 0.7%. There was a considerable improvement in the urban areas, but this was counterbalanced by the style of agricultural evolution: a low rate of growth; a modern sector in which employment fell in absolute terms by an annual cumulative -0.1%, and a traditional rural sector in which employment rose at the rate of 1.6%. The persistence of underemployment can be attributed to the characteristics of the evolution of agriculture, and especially to the dynamic insufficiency observed in the Chilean economy in the period analysed.

## IV

### Analysis of the Latin American countries that have not reduced their underemployment levels

The countries whose levels of underemployment have remained unchanged or even risen can be subdivided into two groups. On the one hand, there are those that display dynamic insufficiency, such as Uruguay and Argentina, which started with a very low proportion of workers in the traditional rural sector, and Peru, which moreover faced critical problems in its rural areas owing to the high proportion of the traditional rural sector. On the other hand there are the countries which did not suffer from dynamic insufficiency, such as Ecuador, Bolivia and El Salvador, but began with more than a third of their labour force in the traditional rural sector, and where the rise in underemployment is essentially explained by the features of the agricultural modernization pattern.

*Argentina and Uruguay*, with a negligible proportion of workers in the traditional rural sector and very low population growth rates, also began with very low levels of poverty and underemployment. Between 1950 and 1980 the latter rose by three points in Argentina and by eight in Uruguay. Over the same period, the per capita product went up by barely 1.4% per year in Argentina, and the dynamic insufficiency intensified in

1970-1980, when the levels of underemployment rose and the per capita product increased only by an annual cumulative 0.6%. Between 1950 and 1970, by contrast, the proportions of underemployment had remained virtually constant (see table 11). In Uruguay underemployment grew because of dynamic insufficiency, with the gross per capita product going up only by an annual cumulative 1.1% between 1960 and 1980. In both cases, both in rural and in urban areas, the employment levels reached higher rates in the traditional and informal sectors than in the modern sectors.

In *Peru* some degree of dynamic insufficiency was combined with the agricultural problem. Underemployment fell from 56.3% in 1950 to 55.8% in 1980; that is, there was almost no variation in 30 years. The per capita product barely increased (annual cumulative rate of 1%) between 1960 and 1980, which shows a certain lack of dynamism. The growth of 3.9% in the product was due in particular to the urban sectors, which also registered the greatest increases in employment. In the formal urban sector employment went up at an annual cumulative rate of 4.2%, thus showing a high capacity for

absorption. As the growth of the urban workforce attained a cumulative rate of 3.8% per annum, the informal urban sector raised its employment levels at an annual 3.3%. In urban localities the underemployment situation improved and once again the central problem lay in the evolution of agriculture.

Agricultural production grew at a lower rate than the population. Employment in the modern sector fell in absolute terms at an annual cumulative rate of -1.2% between 1950 and 1980, while in the traditional rural sector it grew by 1.4%.

Even more significant is the fact that, after the agrarian reform of 1969, there was a rise in the proportion of workers in the traditional rural sector. This proportion was 64.3% of the agricultural employed in 1950, and it rose to 80% in 1980. Agriculture in Peru is characterized by a high man/land ratio. The agrarian reform, which achieved a certain impact on the old-established dominant sectors of rural society, brought no benefit to 75% of the agricultural labour force, which largely constitutes the traditional rural sector.

In *Ecuador* the economic growth was not suf-

ficient to absorb the labour force either in the rural or the urban areas, thus resulting in higher levels of underemployment, which increased by close on 13 points in 30 years (from 50.7% in 1950 to 63.3% in 1980). The product grew at the rate of 6.5% per year, headed by the industrial sector and, in particular, by petroleum in the 1970s.

Despite this intense economic growth, the absorption capacity of the modern urban sectors was relatively low: employment in the formal urban sector rose at an annual cumulative rate of 2.9%. Since the urban EAP grew by 3.9%, the informal urban sector raised its employment levels at a cumulative 5.3% per annum. In this case the usual high absorption of the labour force in the modern urban sector did not take place, as it did in the other countries of the region where there was high economic growth.

In rural areas the agricultural product grew rather more than the population and the modern sector increased its employment at the extremely low rate of a cumulative annual 0.3%. On the other hand, employment in the traditional rural sector expanded by 2.6% per year (from 59% of the total of agricultural workers in 1950 to 74%

Table 13  
PERU, ECUADOR, EL SALVADOR AND BOLIVIA:  
EMPLOYMENT INDICATORS, 1950 AND 1980

	Peru		Ecuador		El Salvador		Bolivia	
	1950	1980	1950	1980	1950	1980	1950	1980
Percentage underemployed	56.3	55.8	50.7	63.3	48.7	49.0	68.7	74.1
Percentage rural population	68.7	47.2	72.5	55.8	72.4	63.9	74.2	58.1
Percentage employed in agriculture	61.3	40.0	66.4	51.6	67.5	52.4	72.7	56.1
Traditional rural/total	39.4	32.0	39.0	37.9	35.0	30.1	53.7	50.9
Traditional rural/agricultural	64.3	80.0	58.8	73.5	51.9	57.4	73.9	90.8
Percentage rural underemployed/underemployed	70.0	57.3	76.9	59.9	71.9	73.6	78.2	68.7
Urban informal/urban	47.0	40.5	35.3	52.8	42.6	39.3	62.3	56.5
<i>Growth 1950-1980</i>								
Total population	2.9		3.1		3.1		2.3	
Urban population	4.7		4.8		4.1		4.0	
Rural population	1.6		2.2		2.7		1.5	
EAP	2.1		2.7		2.7		1.5	
Urban EAP	3.8		3.9		4.1		3.3	
Agricultural EAP	0.7		1.8		1.8		0.6	
Urban formal employment	4.2		2.9		4.2		3.8	
Urban informal employment	3.3		5.3		3.9		3.0	
Modern agricultural employment	-1.2		0.3		1.4		-2.8	
Traditional agricultural employment	1.4		2.6		2.1		1.3	

Source: PREALC and ECLAC for total, urban and rural population.



Table 14  
 PERU, ECUADOR, EL SALVADOR AND BOLIVIA:  
 ECONOMIC INDICATORS

	Peru		Ecuador		El Salvador		Bolivia	
	1960	1980	1960	1980	1960	1980	1960	1980
Product per capita <sup>a</sup>	237	930	217	1 270	221	660	134	570
Total productivity <sup>b</sup>	455	2 048	418	2 736	426	1 477	244	2 055
Agricultural productivity <sup>b</sup>	158	410	208	684	220	798	104	740
Industrial productivity <sup>b</sup>	751	4 848	417	6 116	474	1 346	339	2 485
Services productivity <sup>b</sup>	797	2 348	945	4 323	996	2 848	568	4 188
<i>Employment growth 1960-1980</i>								
Total		2.9		3.0		2.7		2.3
Agricultural		1.6		2.5		1.6		1.3
Industrial		2.7		2.4		4.3		3.8
Services		4.9		4.6		4.0		3.4
<i>GDP growth 1960-1980</i>								
Total		3.9		6.5		5.0		5.0
Agricultural		1.8		3.3		2.9		3.0
Industrial		4.3		7.9		6.7		5.2
Services		4.5		7.2		4.4		5.5
<i>Productivity growth 1960-1980<sup>b</sup></i>								
Total		1.0		3.4		2.2		2.6
Agricultural		0.2		0.8		1.2		1.7
Industrial		1.6		5.3		2.3		1.5
Services		-0.3		2.5		0.4		2.1

Source: PREDESAL, based on data from World Bank (1982a).

<sup>a</sup>Current dollars.

<sup>b</sup>Productivity of labour force.

in 1980). The increase in underemployment in Ecuador is therefore explained by the nature of its productive structure.

In *Bolivia* the agricultural problem is at the root of the rise in underemployment (from 68.7% in 1950 to 74.1% in 1980). The product went up at an annual cumulative rate of 5%, with high labour absorption in the urban localities, and labour absorption in the formal urban sector was quite reasonable, growing between 1950 and 1980 at an annual cumulative 3.8%. As the growth of the urban workforce was 3.3%, the urban informal sector also must have raised its employment levels at an annual cumulative rate of 3%. The underemployment situation showed a definite improvement in the urban areas.

The problem arose in the rural areas. The

agricultural product went up by 3%, but while employment in the traditional rural sector rose by 1.3%, in the modern agricultural sector growth was negative. In 30 years the modern sector, despite its growth, expelled labour at a cumulative rate of -2.8% per annum. The traditional rural sector represented 74% of agricultural workers in 1950 and 91% in 1980.

In *El Salvador* the figures of 1980 were affected by the political events which caused a fall in economic activity. Underemployment stood at 48.7% in 1950; by 1970 it had fallen to 44.6%, but it rose again to 49% in 1980. The product went up at an annual cumulative rate of 5%, headed by the industrial sector with 6.7%. Urban labour absorption was high, especially that of the formal urban sector (a cumulative 4.2% per annum). As

the urban labour force increased by 4.1%, the growth of the informal sector came to an annual cumulative 3.9%.

The evolution of agriculture once again accounts for the maintenance, worsening or improvement of levels of underemployment. Global underemployment went down between 1950 and 1970. The modern agricultural sector, which represented 48.1% in 1950, raised its share of those employed in agriculture to 49.9% in 1970. This rise was influenced by the techniques em-

ployed in agriculture. In 1970 the use of fertilizers per hectare was over seven times higher than the average for Latin America, but the use of tractors per hectare was lower.

Underemployment increased in the period 1970-1980 because of the decline in economic activity at the end of the period. In 1980 the modern agricultural sector once again sustained a fall in its employment level, and its share in the total of agricultural workers dropped to 42.6%.

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