Worrisome Decline in Labour Conditions

The workers of Latin America, aspirations for job security will probably remain aspirations only. The past 20 years have done poorly in this sense, since unemployment rose (10.3% in 2003) as did under-employment, and job quality deteriorated. For unskilled workers, the informal sector tends to be the sole option for generating income. Moreover, labour relations have become more precarious in terms of contractual and social conditions.

In short, although economic growth was greater than that of the 1980s, “only a few labour indicators showed a recovery, while the remaining conditions in the labour market continued to worsen...” according to ECLAC research.

The book “En búsqueda de efectividad, eficiencia y equidad. Las políticas del mercado de trabajo y los instrumentos de su evaluación” (In Search of Effectiveness, Efficiency and Equity. Labour Market Policies and Instruments for their Evaluation), compiled by Jürgen Weller and jointly published by ECLAC and Lom Ediciones, reviews progress in labour market policies in Latin America, the instruments to evaluate them, and experiences in Brazil, Chile and Mexico, where these policies have undergone profound changes. Moreover, the experiences of the European Union were used as an out-of-region point of reference.

Labour conditions are now among the main concerns of people in Latin America. Their decline has strongly pressured governments and forced them to apply more or...
One of the proposals ECLAC presented at its latest Session, which was also discussed at the follow-up meeting to the 3rd Latin America and the Caribbean - European Union Summit, is a social cohesion pact that would allow our region to overcome the vulnerability in which most of its population lives and improve the governability of its democracies.

With 43% of its inhabitants under the poverty line and insufficient economic growth rates, the region must find a balance between the developmental model, based on growing integration into international markets, and a fairer society.

ECLAC proposes that the search for social equity be central to the public agenda and action by national governments and international bodies.

To achieve a fairer society, at least three elements are necessary. First, the real volatility of our economies must be reduced. This is the world’s most volatile region in terms of changes in real GDP. This volatility affects the ability to grow, because it generates uncertainty about the profitability of investment and increases the vulnerability of those sectors of society with the least resources, which in periods of recession are left with no coverage by the different social protection mechanisms associated with formal employment. It is therefore necessary to improve macroeconomic policy to allow implementation of countercyclic policies.

Second, income distribution is not independent of the model used to develop production. Without actions oriented to encouraging small and medium-sized firms and territorial development, it is very likely that the concentration of wealth will increase and regional differences deepen. The reason is that not all sectors and regions have access to the assets necessary for growth (land, capital, know-how and technology).

In this sense, Europe’s experience offers valuable lessons, since one of its main policy objectives was the cohesion of the different regions making up the European Union.

Third, social protection policies based on the principles of universality, solidarity and efficiency are necessary. Moreover, the institutions associated with these policies must share at least six characteristics: a) continuity, which requires a fiscal pact that guarantees state resources and political and social agreement about social policies; b) effective management, which requires the ongoing presence of the staff dedicated to these policies, along with suitable information to enhance transparency, progress and accountability; c) coordination, to efficiently work together with the different areas of the state, a crucial element, given the multidimensional nature of poverty; d) active participation from civil society, at both local and national levels; e) territorial decentralization, which should be done gradually and at the same time as local skill building, and the provision of suitable information (especially about the beneficiaries of these programmes); and f) regulation of services provided by the private sector.

The absence of any one of these pillars will make it difficult to achieve greater social cohesion in our region. Social cohesion is not only an ethical imperative, but also essential to achieve higher growth rates and improve the governability of our countries.

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ongoing personnel training encouraged as a factor in the strategic value of company competitiveness.

Professional training programmes were developed for unemployed groups with specific problems: young people and women with little education, or people working in low productivity and low income areas, self-employed workers and micro-entrepreneurs.

Direct job creation programmes were again used in the late 1990s, due to the rise in unemployment, although this time they were more narrowly focused. An innovative but still new scheme in the region is the concession of hiring subsidies.

**Brazil, Chile and Mexico**

In Brazil, changes in the labour market occurred as part of the modernization of social policies, involving more decentralization and a more precise focus, while there is more sharing of the responsibilities involved in evaluating results, between the State and civil society. Since the mid-1990s, there has been a genuine revolution in types of intervention in the job market. At the same time, evaluations have become current practice in Brazil’s public administration. But these remain too simple and do not yet make it possible to quantify project impacts, according to the study.

In Chile labour market policies focused on professional training, which was passed along to private professional bodies; in granting tax incentives for training those employed; and a training programme for young drop-outs from the educational system, which was later copied by other countries in the region.

Worsening labour conditions at the end of the 1990s led to emergency job creation programmes followed by subsidies for hiring and training labour. Moreover, early in the current decade an innovative unemployment insurance programme was set up, based on individual accounts and a solidarity account. Evaluation, meanwhile, was first applied using rather simple monitoring techniques, before going on to introduce more sophisticated procedures.

In Mexico, programmes involved training of the unemployed, which at some points replaced unemployment compensation for low-income workers; training for those with jobs; implementation of a temporary employment programme and several support programmes for micro-companies and those self-employed. Labour intermediation programmes were also expanded and modernized.

Evaluations of the training programme for the unemployed were done using sophisticated analytical techniques. However, according to the study, it remains essential to take into consideration evaluation results to change programmes, since academic interests still prevail over design and administration needs.
These commitments were reviewed in 1997, through the Kyoto Protocol, in which virtually the same group of countries reinforced their commitment, promising to use market mechanisms to achieve larger reductions over a longer period. These reductions were to reach an overall 5.2% of 1990 emissions, distributed differently among countries, with the most common reductions falling between 5% and 8%. Countries agreed that the first deadlines for compliance would fall between 2008 and 2012, with additional deadlines to be established in 2005.

Architecture of the Kyoto Protocol

In terms of flexible mechanisms, the protocol provides for three possibilities. In the first, only some countries make quantitative commitments to reduce emissions or, in other words, have emission permits for up to a certain percentage of 1990 emissions. These countries will be able to trade part of these permits amongst each other, depending on whether they have deficits or surpluses.

A second mechanism is the sale of reductions that, within national deadlines, are discounted due to a specific project being transferred to another country. The third mechanism involves developing countries with no quantified commitments to reduction. This is the case of Latin American and Caribbean countries trading emission reductions with other countries whose commitments have been quantified. This kind of trading allows them to meet their national commitments. To prevent errors or abuses in project accounting that could damage the market, the Clean Development Mechanism (CDM) was set up to review methodologies and manage a registry of emission reductions in developing countries.

Altogether, these trading mechanisms maximize mitigation, independently of where it occurs, and make compliance with commitments viable, although from the environmental point of view they reduce the efforts made by sectors or emitters in industrialized countries.
Given uncertainty about when the Protocol would come into effect, the result of the US rejection and Russia’s hesitation, the European Union decided to move toward an economic system that internalizes the costs of changing production and consumption patterns to cleaner energy. At the same time, it is trying to avoid a harsher adjustment in future, by moving toward a competitive, more environmentally friendly regime. Thus, it approved the directives for independently implementing the protocol, using the targets set in Kyoto.

This decision introduces an important dynamic into carbon markets, which have been experimental, as is the case with the World Bank’s Prototype Carbon Fund, and bilateral efforts, such as operations carried out by the Canadian, German and Dutch governments.

During the seminar, ECLAC (see http://www.eclac.cl/dmaah), examined trends in different carbon markets, which have grown steadily. Prices remain below US$10.00, but higher than in previous years, when they often fell below US$5.00.

According to estimates by Thomas Black, a Colombian expert, Latin America has the largest number of projects although not the largest number of reductions, reflecting the fact that the region suffers from higher transaction costs than Asia, for example.

Rolf Linkhor, a former member of the European parliament who participated in preparing the European directives, estimated that, depending on the growth expected for the countries of that region, they should open the way to somewhere between €2 and €8 million in trade each year. ECLAC estimates that implementation of the Protocol will encourage other buyers to join the competition for emission reduction certificates, thus pushing up both their value and their number.

Carbon markets represent an opportunity to generate additional resources for the development of Latin America and the Caribbean, based on better energy consumption and production patterns, opening the way to more energy-efficient processes that make better use of renewable energies, especially biofuels, and processes for reorganizing urban services, such as transportation and solid and liquid wastes management, thanks to the important economic incentive they provide. 

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The study underlines the main contradictions that these young people experience on the threshold of the 21st century. In the first place, they have more education than previous generations, but at the same time their unemployment rate is double or triple that of previous generations.

A second paradox involves their having more access to information, but less to power. They participate more in information technology networks but are less integrated in society’s decision-making instances, particularly within the state sphere, and they don’t feel well represented within the political system.

Young people today have more skills for autonomy but fewer opportunities to realize them, according to the ECLAC/OIJ study, which mentions the difficulty of acquiring autonomous housing.

Young people seem better adapted to productive change but are more excluded from it. Today change and knowledge are the engines driving growth and young people are better positioned than the adult population, but nonetheless youth unemployment is higher than that of adults.

In the fourth place, they enjoy good health but lack specific care for accidents, physical aggression, damaging drug use, sexually transmitted diseases, and the unwanted pregnancies that are characteristic of this stage in life.

Young people are more flexible and mobile, but at the same time more subject to uncertain migratory trends. In countries such as Uruguay, Ecuador and Peru massive numbers of young people emigrate, but when they reach their destinations they find they are excluded because they are not full citizens and they have trouble finding stable jobs, at the same time as they must assimilate a different culture.

Despite being more united as a group, young people are less permeable to those outside their group. New patterns of cultural consumption provide them with icons and reference points that generate collective identities, but these have not been consolidated, remaining fragmentary, sometimes closed, and difficult to integrate into the rest of society, particularly authorities.

This is a period in which young people have increased their symbolic consumption (greater access to the media, virtual worlds and publicity icons), but their material consumption is very restricted.
The year 2004 was particularly harsh for Haitians, combining military conflict with tropical storm Jeanne, which lashed the country’s northwest in September, causing even more death, desolation and poverty.

As social conditions worsened and President Aristide resigned, the UN Security Council authorized the deployment of an interim multinational force in March and then, through Resolution 1542, created the United Nations Stabilization Mission in Haiti, which began to operate in June.

Haiti is the poorest country in the western hemisphere and the only one in all of Latin America and the Caribbean included in the group of Least-Developed Countries (LDC). Seventy six percent of its 9 million inhabitants live in poverty, 55% in indigence.

The study *Haiti: antecedentes económicos y sociales (Haiti: Economic and Social Background)*, by Randolph Gilbert, No. 23 in the *Estudios y perspectivas* series, published by ECLAC’s subregional office in Mexico, provides information about trends in the Haitian economy for 1994-2003 and the conditions in which the population survives.

Gilbert demonstrates how the economic lag of the last decade has caused social conditions in Haiti to deteriorate, increasing vulnerability.

The author warns that if no sustainable development strategy can be agreed upon to reduce the alarming poverty levels and intervene in reproduction mechanisms, it will be impossible to achieve the Millennium Development Goals.

From 1994-2003, in an unstable socio-economic environment, Haiti’s real Gross Domestic Product (GDP) averaged barely 0.8% annual growth. Combined with demographic growth (1.8% annually), this caused per capita GDP to fall (-1.1%).

The main economic sectors clearly declined in 1994-2003. Agricultural production contracted at an average annual rate of 1.3%, manufacturing, 2.7% and basic services of electricity and water, 5.4%. The real level of agriculture, the sector contributing the most to GDP (28%), is 9% lower than one decade ago.

Now forecasts for economic growth have become more pessimistic. In December 2003, ECLAC estimated that real GDP would reach somewhere between 1% and 3% in 2004, a figure that looks optimistic in light of current conditions.

**Family Remittances, Key Factor**

More than one million Haitians are estimated to live abroad, in the Dominican Republic (500,000), the United States (420,000) and Canada (120,000). Family remittances have become a key factor in balancing external accounts: on average they amount to 12% of GDP in 1994-2003, a percentage that in the past three years rose to over 20%. These remittances contribute almost 23% of household income.

Although employment statistics are scarce in Haiti, clearly labour conditions are critical. The most recent survey (1999-2000) revealed an open unemployment rate of 20.4% and an informal employment rate of 54.7%.

The infant mortality rate for children under five years is 125 per 1,000, almost three times greater than that of Nicaragua (45) and Honduras (40). It is estimated that the food consumption of half the Haitian people does not reach the minimum threshold.

Barely half the urban population has access to sanitary facilities, a service that in rural areas stands at just 16%. Today, the public sector covers barely 25% of domestic demand for education and 33% for health care. Just 3% of the population has access to some form of social security.

Given the State’s scarce capacity to supply education, health care and social security, families resort to non-governmental organizations (NGOs) and the private sector to satisfy these needs.

According to Gilbert, the lack of political commitment, inefficiency and the misdirection of resources by some State bodies, as well as the disunity apparent among the main social actors, (political parties, civil society and private economic agents) are behind the absence of a sustainable strategy for national development to mitigate the alarming poverty levels.

There continues to be enormous uncertainty in Haiti and questions remain about the mechanisms that could make consensus possible to implement a strategy for economic recovery and national reconstruction. As Kofi Annan, United Nations Secretary-General, has written: “Our task will not be easy. The situation looks more daunting today than it did a decade ago.”

2. **Marco legal y de políticas a favor de las personas mayores en América Latina y el Caribe** (Legal and Policy Framework Favouring Older Adults in Latin America and the Caribbean), by Sandra Huenschuan Navarro (LC/L.2115-P, Spanish, April 2004, Población y Desarrollo series No. 51). Analysis of the progress toward including old age and ageing within countries’ legal and policy frameworks, plus a study comparing the constitutions of 21 countries and another comparing specific laws favouring older adults in six countries.

3. **Los servicios de agua potable y saneamiento en el umbral del siglo XXI** (Drinking Water and Sewage Treatment Services on the Threshold of the 21st Century), by Andrei Jouravlev (LC/L.2169-P, July 2004, Spanish, Recursos naturales e infraestructura series No. 74). After examining access to these services and their quality, the author estimates that the coverage is reasonable, except in the case of sewage treatment. But serious deficiencies persist in access to services by low income groups and those in rural areas.

4. **Alpargatas y libros: estilos por gestión, género y política social en Chile y Argentina** (Slippers and Books: Management Styles, Gender and Social Policy in Chile and Argentina), by Gisela Zaremberg (LC/L.2164-P, July 2004, Spanish, Políticas sociales series No. 90). Comparative analysis of management styles among female staff with two state bodies that specifically work with and for women-centred social policies.


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