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Employment Situation in Latin America and the Caribbean

Employment in microenterprises between 2003 and 2013: improvements and challenges

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The Employment situation in Latin America and the Caribbean is a twice-yearly report prepared jointly by the Economic Development Division of the Economic Commission for Latin America and the Caribbean (ECLAC) and the Office for the Southern Cone of Latin America of the International Labour Organization (ILO), headed by Daniel Titelman and Fabio Bertranou, respectively. Work on the document was coordinated by Gerhard Reinecke, Senior Expert on Employment Policies of ILO, and Jürgen Weller, Chief of the Employment Studies Unit of the Economic Development Division of ECLAC.

The first section of this report was prepared by Jürgen Weller and the second part by Gerhard Reinecke. Claudia Ruiz, Juan Chacaltana, Marco Dini and Sonia Gontero provided valuable inputs and comments on draft versions of the report. The Labour Analysis and Information System in Latin America and the Caribbean collaborated in the preparation of statistical data, under the direction of Bolívar Pino.

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Foreword

Economic conditions in Latin America and the Caribbean are becoming increasingly complex. Since 2012, economic growth rates have been falling, and projections have been lowered repeatedly. In the latest revision, the regional output forecast for 2015 was downgraded to a contraction of 0.3%. Albeit at varying speeds, growth is slowing in the vast majority of the countries. This is a worrying trend, not least because it makes it harder to continue reducing poverty and inequality —two of the region's major achievements since the start of the last decade— and the labour market may be expected to suffer negative impacts in several areas.

Studies have shown that while social policy contributed significantly to the gains of the past decade, the key factor was the performance of the labour market. Aspects such as strong formal job creation and the narrowing of labour income disparities, in many cases supported by a new approach to labour market policies, were decisive for improving the material well-being of millions of households.

As shown in this new joint ECLAC/ILO report, the economic growth slowdown is starting to affect labour market indicators. Although the regional open unemployment rate remains at historically low levels and real wages continue to grow modestly in most countries, analysis of labour market trends reveals a clear deterioration throughout the first half of 2015. New jobs are increasingly in low-productivity and, frequently, own-account activities; the downtrend in the open unemployment rate has been reversed, and some indicators weakened in the second quarter, including real wages and underemployment in terms of working hours. Unfortunately, current economic growth projections make any reversal of these trends in the second half of the year highly unlikely; and the open unemployment rate is likely to reach 6.6% for the year as a whole, up from 6.0% in 2014.

In analysing the weakening job creation in the current conditions, one of the questions that must be asked is whether the past decade's gains were sufficiently structural to prevent them from being surrendered in a less benign economic setting. Specifically, job creation is generally uneven among firms of different size. Section II of this report analyses whether the positive labour market trends seen between 2003 and 2013 were concentrated in the larger firms, or whether there were similar improvements in microenterprises. The finding is that employment quality (social security coverage) improved significantly in microenterprises, and the proportion of wage-earning jobs in small firms increased as well. Nonetheless, as could be expected, productivity and job quality gaps remain very large in relation to larger firms.

In this harsher economic context, microenterprises and own-account work could again act as job-creators of last resort, but this would consist largely of low-productivity and poor-quality employment. Accordingly, the region needs to intensify efforts to remove obstacles and create a propitious environment, not only for the creation and survival of firms but also for their growth and development, so as to generate a production structure with a lower proportion of jobs in microenterprises and small businesses and weighted more towards medium-sized enterprises. Although not all firms have the potential to jump to a higher productivity level, their growth can be fostered through technological upgrading, access to adequate financing, greater innovation, better market access, and a higher-skilled labour force. Production development policies should be geared towards forging more enabling environments and supporting firms in surmounting specific obstacles.

Policies also need to be built with a broader focus on channelling investment towards achieving structural change, with a view to shifting the economies' growth potential onto a path of rising productivity. Clearly defined development policies are a must for the region if it is to overcome the adverse conditions that are currently restricting its growth, and generate more and better jobs to provide productive employment for its labour force.

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I. The employment situation in the first half of 2015

Contrary to projections in late 2014, economic growth in Latin America and the Caribbean did not pick up in 2015. Although some countries' economies are improving on last year's performance and growth rates are uneven from one country to another, the region overall is expected to contract by 0.3%.[1] With a few exceptions, the South American countries are seeing the heaviest slowdowns, owing in great measure to trends in the global economy that have reduced demand for their main export products, weakening economic growth through several channels. Although not unaffected by these conditions, the countries in the north of the region were able to maintain or, in the case of the Caribbean, moderately expand their GDP growth rates. The meagre growth of gross domestic product (GDP) in the first half of 2015 forms the backdrop to the analysis of the regional labour market performance presented in this section.

A. The "reverse paradox": increased job creation alongside rising unemployment

A paradox occurred in 2014, because unemployment continued to fall despite slow economic growth in the region and the resulting impact on the employment rate. This was because labour market participation came down faster than employment (in other words, many people were not looking for work as they stayed in education or for other reasons).

This trend reversed in the second quarter of 2015, and the slowdown of regional growth began to make itself felt in the unemployment rate, which first edged up (by less than 0.1 percentage points) in the first quarter, then climbed more than 0.5 percentage points in the second, both in year-on-year terms.[2]

What caused this sharp increase in the unemployment rate? Did slackening regional growth—compared with the previous year and the forecast for 2015— trigger the fall in employment? Figure I.1 shows that this was not the case: despite falling year-on-year, the employment rate declined less in the second quarter than the first in 2015 (down 0.26 percentage points against 0.36 percentage points). In fact, the second quarter saw the smallest year-on-year drop since the first quarter of 2014, meaning that job creation was up on previous quarters, although still below the growth rate of the working-age population.

Figure I.1
LATIN AMERICA AND THE CARIBBEAN (10 COUNTRIES): YEAR-ON-YEAR VARIATION IN EMPLOYMENT AND UNEMPLOYMENT RATES, FIRST QUARTER OF 2008-SECOND QUARTER OF 2015[a]
(Percentage points)

Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of official information from the countries.
[a] Includes 10 countries: Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Ecuador, Jamaica, Mexico, Peru and Uruguay. Data for the Bolivarian Republic of Venezuela in the first and second quarters of 2015 are based on estimates.

As a result, a "reverse paradox" is in evidence, since the regional economy is actually contracting in 2015, but the employment rate is falling slower than in the previous year, yet the unemployment rate is nevertheless performing worse. This reversal is explained by the fact that the number of job seekers entering the labour market has increased more than in 2014. The labour market participation rate fell by 0.6 percentage points in 2014, with the largest year-on-year drop (0.85 percentage points) occurring in the second quarter, but this downtrend began to level out by the first quarter of 2015,

[1] See ECLAC, "ECLAC Forecasts Region's Economies Will Contract -0.3% in 2015 and Grow 0.7% in 2016" [online] http://www.cepal.org/en/pressreleases/eclac-forecasts-regions-economies-will-contract-03-2015-and-grow-07-2016.

[2] Data are weighted averages from 10 countries with quarterly series, therefore they do not necessarily match the annual data from other publications of the Economic Commission for Latin America and the Caribbean (ECLAC) and the International Labour Organization (ILO), as these cover a wider period.

with a contraction of just 0.35 percentage points, turning to a slight expansion of 0.1 percentage points in the second quarter (the first increase since the fourth quarter of 2012). Therefore, the effect of the labour supply in 2014 —of lessening the impact of slack economic growth on unemployment— dissipated in 2015.

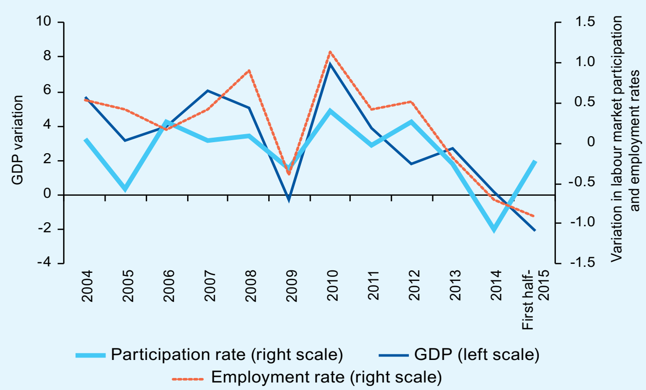
As previously discussed,[3] in 2014 the labour participation rate fell further than might have been expected in light of data from previous years and other low-growth episodes. This strongly procyclical behaviour of the labour supply —not itself uncommon, but unusual in its magnitude— was the result of lower poverty rates and many households' increased resilience to scarcity of employment opportunities. Households were not as pressed as in previous low-growth episodes to generate income to ensure their subsistence, and the resulting tendency to wait for the labour market to improve before re(attempting) to find work contributed to a rise in economic inactivity. However, this pattern could not be expected to continue for very long and the first months of 2015 brought a reversal of the trend in the labour supply —and because this reversal was earlier and sharper than had been forecast, it affected unemployment projections.

The changes in the main labour indicators analysed, particularly the regional labour market participation rate, owe much to the performance of Brazil, which is accordingly examined in more detail in box I.1.

Box I.1
RECENT CHANGES IN THE BRAZILIAN LABOUR MARKET

Brazil accounts for approximately 36% of the region's economically active population and therefore has a strong influence on the various indicators' weighted averages. The figure below shows that in Brazil's six main metropolitan areas, labour market participation and employment are clearly procyclical, and employment is more closely correlated than participation with economic growth (correlation coefficients of 0.84 and 0.66, respectively, between 2004 and 2014).

BRAZIL (SIX METROPOLITAN AREAS): YEAR-ON-YEAR VARIATION OF GDP, LABOUR MARKET PARTICIPATION AND EMPLOYMENT RATES, 2004-FIRST HALF OF 2015
(Percentages and percentage points)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of information from Brazilian Geographical and Statistical Institute (IBGE).

The figure above shows that GDP performed slightly better in 2014 than in 2009, but the employment rate contracted much more. However, because the participation rate fell even more steeply than employment, unemployment continued to come down in 2014, where in 2009 it rose slightly (by 0.2 percentage points).

As the figure below shows, the participation rate fell more heavily than expected in 2014, while the employment rate deviated only slightly from its long-term trend. The fall in employment in 2014 was due to a contraction in wage employment (by 0.8%) that was only partly offset by an expansion in unwaged categories of work.

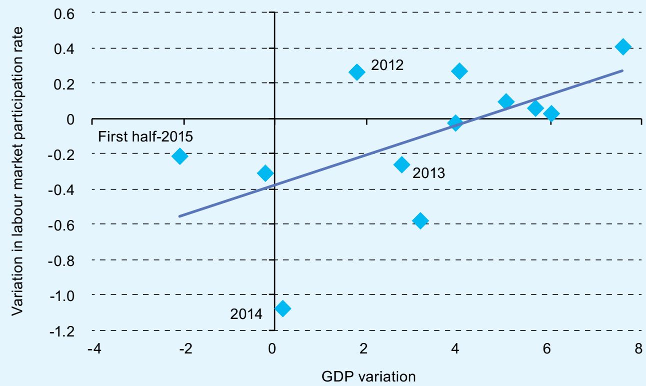
[3] See ECLAC/ILO (2015).

Box I.1 (continued)

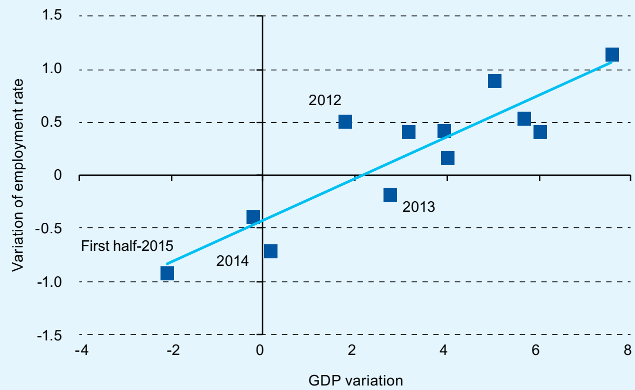
BRAZIL (SIX METROPOLITAN AREAS): YEAR-ON-YEAR VARIATION OF GDP, LABOUR MARKET PARTICIPATION AND EMPLOYMENT RATES, 2004 TO FIRST HALF OF 2015

(Percentages and percentage points)

A.Labour market participation rate



B. Employment rate



Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of information from Brazilian Geographical and Statistical Institute (IBGE).

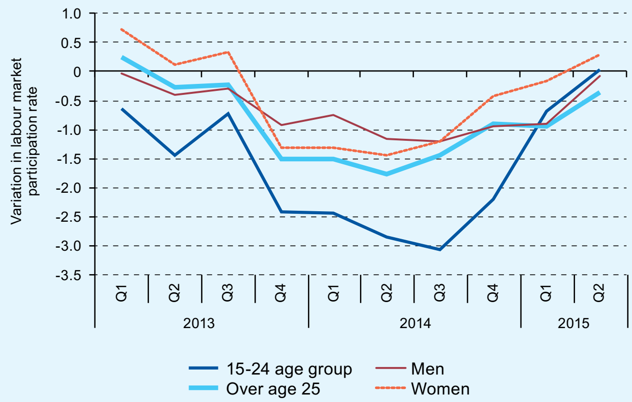
The heavy contraction in labour market participation in 2014 occurred across the board in the region, but was sharpest among young people, falling by 2.6 percentage points for the 15 to 24 age group, compared with 1.4 percentage points for those aged over 24. The drop in participation was similar between men and women (see the following figure).

The trend in the first half of 2015 reverted the 2014 pattern, and the participation rate rose more steeply than would have been expected on the basis of past relations between economic growth and labour participation. The fall in youth participation was reversed and showed zero variation year-on-year in the second quarter;[a] among those aged over 24, the rate is still slightly negative in year-on-year terms. Nevertheless, the overall participation rate still showed a slight increase in the second quarter of 2015, because demographic change is constantly increasing the proportion of those over age 24 in the economically active population structure.

Box I.1 (concluded)

BRAZIL (SIX METROPOLITAN AREAS): YEAR-ON-YEAR VARIATION IN LABOUR MARKET PARTICIPATION RATE BY SEX AND AGE GROUP, FIRST QUARTER OF 2013-SECOND QUARTER OF 2015

(Percentage points)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of information from Brazilian Geographical and Statistical Institute (IBGE).

Comparison of participation rates for men and women shows that the uptick in participation in the second quarter of 2015 was driven by the greater supply of women's labour, while the male labour supply is still slowly declining.

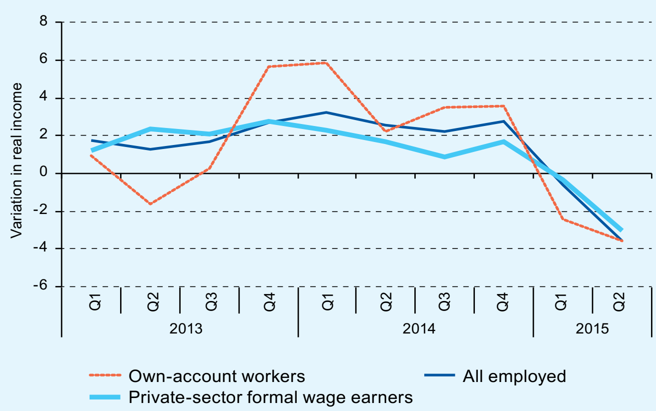
The youth employment rate continued to fall, which led to a marked increase in youth unemployment, from 13.6% in the second quarter of 2014 to 17.9% a year later.

The softening of this drop in the labour supply in the first half of 2015 caused a bump in the unemployment rate. In light of the continued decline of wage employment (down 1.3% in the six metropolitan areas and 1.7% nationally), a significant proportion of new workers entering the job market (and those who lost their wage employment) sought own-account work, and the number of workers in this category expanded by 2.1% (3.6% nationally).

Lastly, weak labour demand and labour-supply pressures, together with rising inflation, caused a fall in real average earnings that reversed the uptrend seen over the past nine years (2006 to 2014). Heavy income drops were recorded in the first half of 2015, especially among own-account workers.

BRAZIL (SIX METROPOLITAN AREAS): YEAR-ON-YEAR VARIATION IN REAL LABOUR INCOME, EMPLOYED POPULATION, PRIVATE-SECTOR FORMAL WAGE EARNERS, AND OWN-ACCOUNT WORKERS, FIRST QUARTER OF 2013-SECOND QUARTER OF 2015

(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of information from Brazilian Geographical and Statistical Institute (IBGE).

Source: Prepared by the authors, on the basis of information from Brazilian Geographical and Statistical Institute (IBGE).

[a] The source and destination of workers entering and leaving economic activity cannot be identified from the available data, particularly in the case of young people. For this reason, the key question —how changes in labour market participation affected school attendance— cannot be answered on the basis of this information.

As has often been observed, the behaviour of the unemployment rate in the countries with available data is uneven. Of the 15 countries with data available, only 6 (Brazil, Costa Rica, Jamaica, Peru, Trinidad and Tobago and Uruguay) recorded a year-on-year rise in the unemployment rate in the first half of 2015, while the other 9 saw the rate fall (see annex table A.1).[4] However, this indicator trended heavily downward in the region between the first and second quarters of 2015, as, apart from Argentina (where it remained steady in the first quarter and fell year-on-year in the second), Jamaica (where it increased less in the second quarter than the first) and Mexico (where the it fell roughly equally in both quarters), unemployment has performed worse (rising faster or falling more slowly) in the second quarter than the first in countries with quarterly data records available.

The shift in the trend between the first and second quarters of 2015 is seen clearly in figure I.2. Unlike figure I.1, figure I.2 shows simple averages for the countries with available data in order to better reflect the main labour patterns. In the first quarter, the sharp year-on-year decline in the participation rate more than offset the contraction in the employment rate, so that the unemployment rate continued to fall, albeit only slightly, in the simple average —though not in the weighted average. The drop in the participation and employment rates reflected male labour market participation patterns, while for women the year-on-year figures show no change in the participation rate and a slight rise in the employment rate. The unemployment rate rose slightly for men, despite the sharp contraction of the labour market participation rate, and fell for women, because of the expansion of employment.

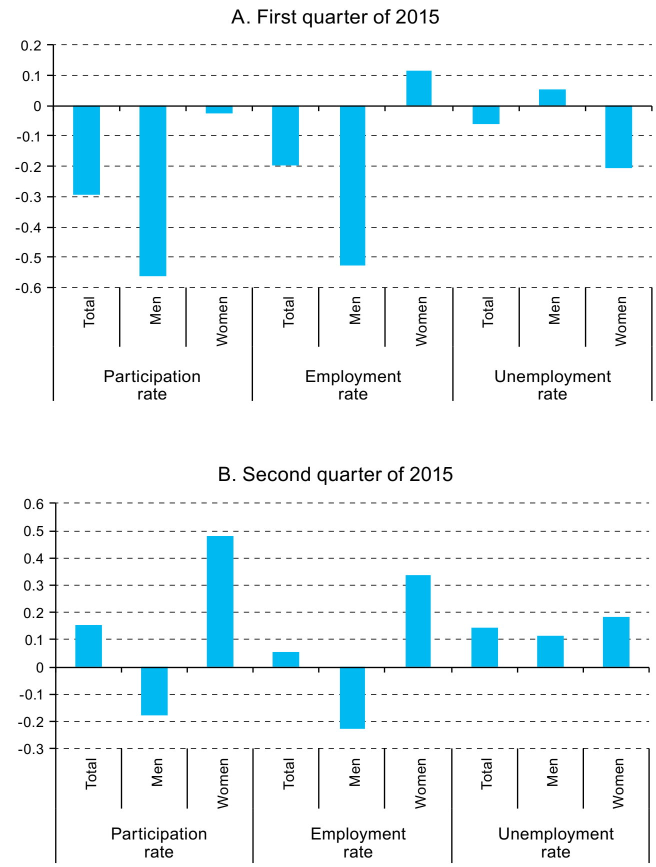
In the second quarter, the participation rate reversed its trend in the simple average (as in the weighted average) with an expansion spearheaded by women.[5] For the employment rate, however, the simple average contrasted with the weighted average, showing a small year-on-year increase, also reflecting the rate for women, while the rate for men fell.[6] As a result, the participation and employment gaps between men and women narrowed in the first two quarters.

While developments in the unemployment rate were more favourable for women than men in the first quarter, unemployment rose for both sexes in the second, more sharply for women as the rise in employment was not enough to offset the jump in the participation rate. For men, the (smaller) increase in unemployment reflected employment falling faster than participation.

Figure I.2

LATIN AMERICA AND THE CARIBBEAN (SIMPLE AVERAGE FOR 11 COUNTRIES): YEAR-ON-YEAR VARIATION IN PARTICIPATION, EMPLOYMENT AND UNEMPLOYMENT RATES, BY SEX, FIRST QUARTER OF 2014-FIRST QUARTER OF 2015 AND SECOND QUARTER OF 2014-SECOND QUARTER OF 2015[a]

(Percentage points)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of official information from the countries.

[a] Data for both quarters include Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Jamaica, Mexico, Paraguay, Peru and Uruguay. The first quarter also includes Panama.

The four countries in the Caribbean with available data show a mixed picture. Data for the first half-year from the two countries with the brightest projections for the year overall —the Bahamas and Belize— show falls in unemployment of 1.8 and 1.0 percentage points, respectively. The two countries with the lowest growth projections —Jamaica and Trinidad and Tobago— saw unemployment rise year-on-year by 0.7 and 0.6 percentage points, respectively, in the first half-year, in both cases reflecting shrinking employment.[7]

4 As well as the countries mentioned in figure I.1, data are also available for the Bahamas, Belize, Costa Rica, Paraguay, and Trinidad and Tobago.

5 In the first half of 2015, year-on-year variation in labour market participation rate rose in four countries, fell in eight and remained stable in one (see table A.2).

6 In the first half of 2015, the employment rate rose year-on-year in five countries and fell in eight (see table A.3).

7 Economic growth projections for 2015 are: 2.0% for the Bahamas, 2.5% for Belize, 1.1% for Jamaica and 1.0% for Trinidad and Tobago (ECLAC, 2015). See ECLAC, "ECLAC Forecasts Region's Economies Will Contract -0.3% in 2015 and Grow 0.7% in 2016" [online] http://www.cepal.org/en/pressreleases/eclac-forecasts-regions-economies-will-contract-03-2015-and-grow-07-2016.

B. Is the composition of employment worsening?

Why did the year-on-year fall in employment level off, despite the economic slowdown?

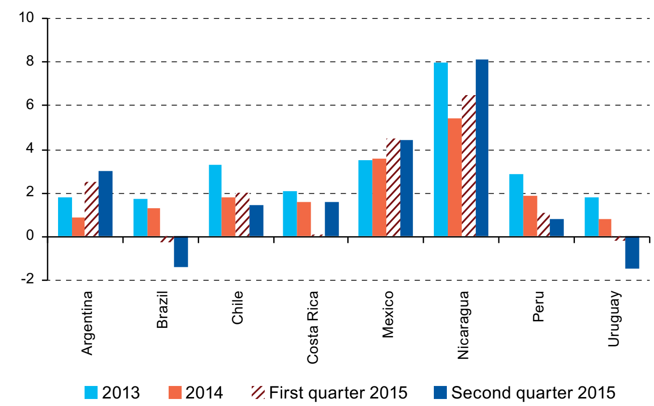
First, there has been no upturn in the demand for labour. Wage job creation lost momentum and is expected to expand by just 0.4% in the weighted average for the first half of 2015, owing mainly to the number of wage earners falling in absolute terms in Brazil. This category of job creation was down in Costa Rica, as well, and remained virtually unchanged in Peru (metropolitan Lima). The uptrend in the proportion of wage-earners in total employment that had marked the decade between 2003 and 2013 (see section II) has thus continued to be reversed in 2015. The growth of own-account work accelerated in many countries and this category gained share in overall employment in Brazil, Costa Rica, Ecuador, Mexico, Panama, Paraguay and Peru. Argentina, Chile and Colombia were the exceptions, where this category grew more slowly than wage employment.

Amid negative regional economic growth in 2015, this expansion in own-account work could reflect households' growing need for additional income, even without any expectation of finding quality employment. The falling employment rate is an indication that in many households fewer members are receiving labour income. The rise in own-account work is thus the third sign (together with rising participation and unemployment rates) of a growing need for labour income in many households and of supply-side pressure in the labour market.

Total employment is estimated to rise by 1.3% in the region overall in the first half of 2015, a stronger performance than the 0.8% average calculated for 2014, owing mainly to the expansion of own-account work, but also the relatively strong growth of wage employment in Chile, Colombia and Mexico. The counterpart to faster total employment growth in an economy that is slowing —and indeed projected to contract outright by 0.3% in 2015 overall— is a fall in average labour productivity. The region's labour market is thus reverting to its hallmark structural features in a context of slow economic growth, and average labour productivity is emerging as the main adjustment variable.[8]

Lastly, variations in registered —i.e. higher-quality— employment show a mixed picture. Figure I.3 shows that this indicator performed worse in the South American countries (except Argentina) in the first half of 2015 than in previous years and deteriorated between the first and second quarters. In three of the region's more northerly countries this category of employment performed slightly better, with a small uptick in Mexico and Nicaragua, partly thanks to schemes to formalize existing jobs,[9] and a recovery in Costa Rica in the second quarter, after a standstill in the first.

Figure I.3
LATIN AMERICA (SELECTED COUNTRIES): YEAR-ON-YEAR VARIATION IN REGISTERED WAGE EMPLOYMENT, 2013 TO SECOND QUARTER OF 2015[a]
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of official information from the countries.
[a] Data refer to wage workers paying into social security systems, except for Brazil, where they refer to private sector workers covered by social and labour legislation, and Peru, where they refer to employment in formal small, medium and large enterprises.

In the median for 10 countries, employment generation was relatively slack in all branches of activity in the first half of 2015. The commerce, restaurants and hotels sector has been more dynamic, which could reflect the expansion of informal activities which are common in this area, facilitated by low entry barriers. Employment grew in the construction sector, especially in countries where substantial infrastructure expansion programmes were implemented and private investment works were expanded, such as Colombia and Paraguay. In other countries, including Brazil, construction sector employment shrank procyclically. Slow employment growth in the typically procyclical areas of financial and business services, insurance and real estate was unsurprising.

The modest growth of employment in manufacturing reflects weak domestic demand and external competitiveness issues. Interestingly, no growth has been observed in agricultural employment, generally speaking. Given that —at least in

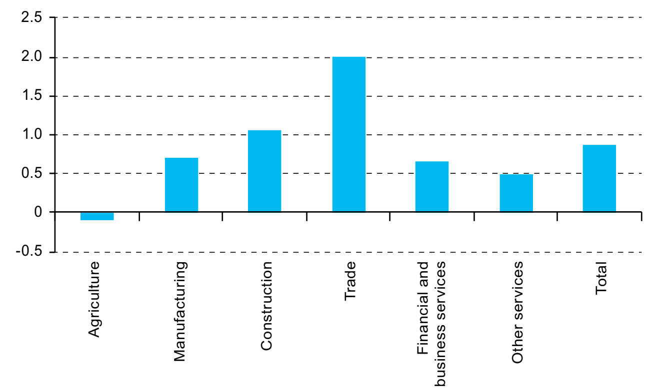
[8] See ECLAC/ILO (2012).

[9] In Argentina too, growth in the number of social security contributors seems to reflect progress in formalization processes rather than new jobs. In the first quarter of 2015, the number of jobs generating social security contributions rose by 2.5% over the prior-year period, whereas the Survey of Labour Indicators shows a slight year-on-year decline in the level of employment in the country for that quarter.

countries with a large small-scale farming sector—employment in agriculture tends to be countercyclical, this would suggest that the labour market situation is not being perceived as bad enough to trigger migration towards agriculture on any great scale (typically, members of farming households returning to rural areas).

As with other indicators, variation in time-related underemployment has also been uneven. In countries with available data, the year-on-year underemployment average rose in four countries (Brazil, Costa Rica, Ecuador and Paraguay), remained practically flat in three (Colombia, Mexico and Uruguay) and fell in another three (Argentina, Chile and Peru). However, this indicator performed worse in the second quarter than the first (increasing faster or falling more slowly) in 7 of these 10 countries. Chile was the only country in which underemployment fell more in the second quarter than the first. For Argentina and Uruguay, year-on-year variation was practically identical in both quarters.

Figure I.4
LATIN AMERICA AND THE CARIBBEAN (10 COUNTRIES): MEDIAN OF YEAR-ON-YEAR VARIATION IN EMPLOYMENT BY BRANCH OF ECONOMY ACTIVITY, FIRST QUARTER OF 2015[a]
(Percentages)

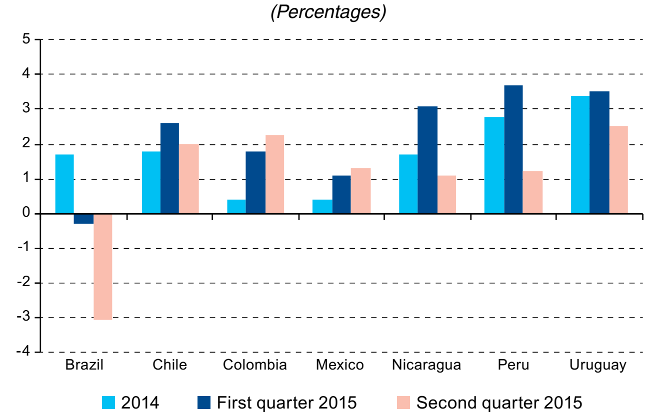


Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of official information from the countries.
[a] Includes Brazil, Chile, Colombia, Jamaica, Mexico, Panama, Paraguay, Peru, Trinidad and Tobago, and Uruguay.

C. Wage improvements are tending to plateau

The economic conditions began to hurt real wages in the first half of 2015, especially in the second quarter. As shown in figure I.5, real wages continued to rise in the first half of 2015 in all the countries with available data except Brazil. However, the first- and second-quarter interannual variations show this wage growth slowing in five of the seven countries (with Colombia and Mexico as the exceptions), and falling faster in the second quarter in Brazil. Rising inflation triggered by heavy local-currency depreciation contributed to the decline in real wages in several countries during this period.

Figure I.5
LATIN AMERICA (SELECTED COUNTRIES): YEAR-ON-YEAR VARIATION IN REAL WAGES IN FORMAL EMPLOYMENT, 2014 AND FIRST AND SECOND QUARTERS OF 2015
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of official information from the countries.

D. Although unemployment remains low in historical terms, labour market forecasts are becoming bleaker

In sum, analysis of developments in the Latin American and Caribbean labour markets in the first half of 2015 finds that:

- The employment rate was down on the prior-year period, owing to weak wage job creation amid slack economic growth.
- The year-on-year decline in the participation rate eased —with a small drop in the first quarter and even a small uptick in the second— indicating that households are finding themselves more pressed to generate labour income.

- As a result, the regional unemployment rate rose for the first time since 2009.
- Real wages are continuing to climb in most countries, although generally more slowly than before.

The economic growth prospects for the region as a whole are not particularly bright for the rest of the year, with labour demand and wage job creation likely to remain weak. Many countries could see increasing numbers of informal jobs, especially own-account work, as workers attempt to cope with the shortage of productive, good-quality employment. However, the emergence of these income sources will not prevent the employment rate from falling again in 2015, compared with figures from the previous year. Given that GDP is expected to contract and employment to rise slightly in absolute terms, average labour productivity is likely to decline over the year.

The participation rate will continue to rise through the second half of 2015, as will the open unemployment rate, in view of still-weak growth in wage employment. So only a few of the new labour market entrants will be able to find a good-quality job and not all the others will be able to create informal employment for themselves. ECLAC and ILO estimate that for the year overall the regional unemployment rate will edge up by about 0.6 percentage points, reaching 6.6%. Although this rate is still low in comparison with past decades, the trend is clearly negative.

Lastly, in a context of a generally low but rising unemployment rate, increases in nominal wages are expected to flatten. This, together with higher inflation than in 2014, will compress real wage gains in the formal sector, while average incomes in the informal sector will be eroded by the pressure of a growing labour supply.

II. Changes in composition and quality of employment by enterprise size, 2003-2013[1]

Introduction

This section of the report examines labour-market performance in the region, disaggregated by enterprise size and employment categories. Most of the labour markets in Latin America and the Caribbean performed exceptionally well during the decade between 2003 and 2013. In addition to strong job creation that brought unemployment rates down, employment composition changed and the quality of employment improved. As a result, wage employment as a percentage of total employment surged while the share of unpaid non-family workers and female domestic workers decreased. As for the quality of employment, formal employment with social security coverage rose as a percentage of total employment (ILO, 2013).

Previous studies have established that these improvements during 2003-2013 were not due solely to positive labour markets trends (linked in part to a favourable external scenario and the supercycle of high prices for the main commodities exported by the economies of the region) but also to public policies aimed at improving the quality of employment. Among these were policies for formalizing employment and production units that included, for example, new incentives for formalization, enhanced labour inspection and better coordination of the latter with other oversight bodies (ILO, 2014).

But the current economic slowdown in the region has heightened perceptions of weakness for the period. Changes in the production base have been relatively modest, so production diversification remains poor and there is still a predominant segment of low-productivity economic units, especially at the micro and small enterprise level (ILO, 2015). It could even be argued that the high commodity-price supercycle weakened any incentives for speeding up improvements in productivity or seeking greater diversification. The result was relative stagnation of diversification and persistence of the heterogeneity typical of the region's production structure. Latin America and the Caribbean has therefore made little progress toward structural change that would be key for enhanced global insertion, high and sustained economic growth and virtuous growth in terms of productivity and employment encompassing, among other things, a higher share of knowledge-intensive sectors in total production and a decrease in the heterogeneity that characterizes the region's production structure (ECLAC, 2012).

In this context, it is useful to analyse the extent to which changes in the composition of employment and improvement in the quality of employment were concentrated only in larger enterprises or spanned all size categories. Of special interest is the evolution of employment in microenterprises. A high proportion of microenterprise employment (together with high rates of own-account employment and unpaid family work) typically reflects large internal productivity gaps, with a corresponding impact on income gaps. Indeed, a considerable part of microenterprise employment tends to be driven by labour-supply pressure and is more reflective of household income needs than of taking advantage of market opportunities. The key objective of these production units is to generate income for household consumption and reproduce the production process, without much potential for expansion. But not all employment in this segment stems from this dynamic: a certain percentage reflects the creation and expansion of emerging enterprise activities with growth potential. To better understand the employment structure dynamic and, specifically, microenterprise employment trends, data from household surveys from 16 countries in the region for 2003, 2008 and 2013 were tabulated, classifying enterprise size for operational purposes according to number of workers.[2]

1 The analysis set out in this section complements the recently-published *Thematic Labour Overview* on working conditions in micro and small enterprises (MSEs) (ILO, 2015). While the *Thematic Labour Overview* explores quality-of-employment gaps by enterprise size in 2013, this section focuses on analysing variations in these gaps between 2003 and 2013.

2 The 16 countries are: Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru, Plurinational State of Bolivia and Uruguay. In some cases it was necessary to use different years around 2003, 2008 and 2013. Data for Colombia and Nicaragua were excluded because of the lack of information for or close to 2003.

A. Changes in composition and quality of employment by enterprise size

The region's positive labour-market performance has been associated, first, with a declining percentage of own-account and microenterprise employment, and second, with a rising share of wage employment. These two trends are closely interlinked.

Between 2003 and 2013, employment in microenterprises slid from 31.7% of total employment to 28.4% (see table II.1). While this 3.3 percentage-point decline in the span of a decade might seem modest, this is a significant change considering the presence of microenterprises as a structural feature of the region's economies and labour markets. The other enterprise size strata (small, medium-sized and large) all saw increases in their share of total employment.

These data, based on household surveys, do not allow for establishing the extent to which this decrease in the microenterprise share of employment was due to stagnation in this sector or, conversely, to successful growth trajectories of microenterprises that became larger and changed size category, and/or to more dynamic expansion of larger enterprises during the period's favourable macroeconomic context.[3] In any case, in absolute terms employment in microenterprises in the region continued to rise, albeit at a much lower rate (cumulative 11.4% between 2003 and 2013) than total employment (25.3% during the same period). Microenterprises are thus still a major source of employment generation in the region.

Table II.1
LATIN AMERICA (WEIGHTED AVERAGE FOR 16 COUNTRIES): EMPLOYMENT STRUCTURE BY ENTERPRISE SIZE
(Percentages)

	Workers	Own-account	Microenterprises	Small enterprises	Medium-sized enterprises	Large enterprises and public sector	Domestic service
2003	100.0	28.5	31.7	16.9	1.4	15.9	5.6
2008	100.0	26.7	30.2	21.0	2.2	14.4	5.5
2013	100.0	27.0	28.4	20.3	2.8	16.2	5.3

Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of household surveys conducted in the respective countries.
Note: The size strata considered are: microenterprises, 2 to 10 workers; small enterprises, 11 to 50 workers; medium-sized enterprises, 51 to 100 workers; and large enterprises, 101 or more workers. Unpaid family workers are included in the respective size strata. For some countries, available data made it necessary to use different strata. This table does not include workers in enterprises of unknown size (accounting for 1.1% in 2003, 1.2% in 2008 and 1.6% in 2013).

The data also reveal trends in the growing incorporation of women into the labour market by enterprise size (see table II.2). Between 2003 and 2013 the percentage of women rose in all of the strata except domestic service, which already had a high percentage of women (93.2% in 2003; 93.0% in 2013). But the increase was sharper among own-account workers (36.6% to 38.1%) and in microenterprises (32.8% to 35.2%), small enterprises (32.3% to 36.1%) and medium-sized enterprises (32.9% to 35.3%) than in large enterprises (46.1% to 47.0%), where employment structure by sex was already more equally distributed at the beginning of the period.

Table II.2
LATIN AMERICA (WEIGHTED AVERAGE FOR 16 COUNTRIES): EMPLOYMENT STRUCTURE BY ENTERPRISE SIZE AND SEX
(Percentages)

		Workers	Own-account	Microenterprises	Small enterprises	Medium-sized enterprises	Large enterprises and public sector	Domestic service
2003	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Man	60.7	63.4	67.2	67.7	67.1	53.9	6.8
	Women	39.3	36.6	32.8	32.3	32.9	46.1	93.2
2008	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Man	59.4	61.1	65.2	66.1	65.1	52.8	6.3
	Women	40.6	38.9	34.8	33.9	34.9	47.2	93.7
2013	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Man	59.0	61.9	64.8	63.9	64.7	53.0	7.0
	Women	41.0	38.1	35.2	36.1	35.3	47.0	93.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of household surveys conducted in the respective countries.

[3] Answering these questions requires longitudinal (panel) data databases; to date, there is only partial evidence. For example, a study of Argentina (Kantis and others, 2009) concluded that strong job creation in new enterprises starting in 2003 was concentrated in a very few companies with high employment growth rates. Most of them were small and medium-sized enterprises in their fifth year of operations.

One of the important features of the changes in the structure of employment between 2003 and 2013 is the increase in wage employees as a percentage of total employment (see table II.3). In the aggregate of the 16 countries with available data, this share rose from 60.0% to 65.1% between 2003 and 2013. At the country level, the increase in the proportion of wage employment between 2003 and 2013 is seen in all countries with data available for these years, except the Dominican Republic, El Salvador and Honduras.

Table II.3
LATIN AMERICA (WEIGHTED AVERAGE FOR 16 COUNTRIES): EMPLOYMENT STRUCTURE ACCORDING TO ENTERPRISE SIZE AND JOB CATEGORY
(Percentages)

		Workers	Own-account	Microenterprises	Small enterprises	Medium-sized enterprises	Large enterprises and public sector	Domestic service
2003	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Own account	28.2	100.0	n.d.	n.d.	n.d.	n.d.	n.d.
	Employer	4.4	n.d.	12.6	2.3	0.9	0.1	n.d.
	Wage worker	60.0	n.d.	64.4	96.8	98.6	99.8	100.0
	UFW	7.1	n.d.	22.3	0.3	0.3	0.1	n.d.
	Others	0.3	n.d.	0.7	0.6	0.1	0.1	n.d.
2008	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Own account	26.3	100.0	n.d.	n.d.	n.d.	n.d.	n.d.
	Employer	4.7	n.d.	14.1	2.1	0.5	0.0	n.d.
	Wage worker	63.3	n.d.	67.2	97.3	99.3	99.8	100.0
	UFW	5.6	n.d.	18.6	0.2	0.2	0.1	n.d.
	Others	0.1	n.d.	0.1	0.3	0.1	0.0	n.d.
2013	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Own account	26.5	100.0	n.d.	n.d.	n.d.	n.d.	n.d.
	Employer	4.0	n.d.	12.8	2.0	0.6	0.1	n.d.
	Wage worker	65.1	n.d.	71.9	97.5	99.2	99.8	100.0
	UFW	4.3	n.d.	15.2	0.1	0.1	0.1	n.d.
	Others	0.1	n.d.	0.1	0.3	0.1	0.0	n.d.

Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of household surveys conducted in the respective countries.
Note: UFW=Unpaid family worker.

An analysis of variations in the proportion of wage employees by enterprise size strata shows that in small, medium-sized and large enterprises it was already approaching 100% at the beginning of the period; there were no major changes. The rise was concentrated in microenterprises, whose share climbed from 64.4% in 2003 to 71.9% in 2013. This increase is related to the sharp drop in the proportion of unpaid family work (from 7.1% to 4.3% of total employment, and from 22.3% to 15.2% in microenterprises). This decrease can be interpreted as indicating an easing of pressure for (self) employment generation and the emergence of paid employment options that facilitated the migration of unpaid workers toward wage employment in the different sectors.

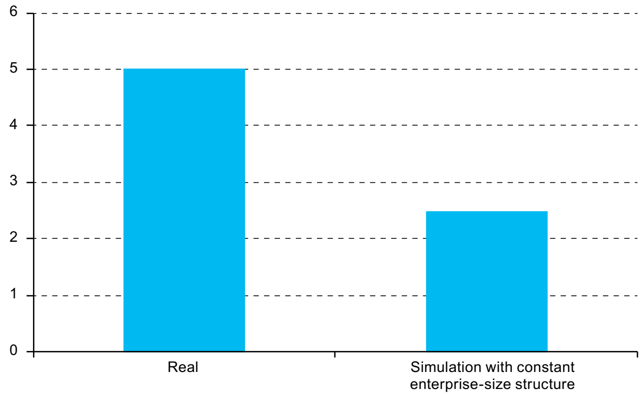
But the uptrend in the proportion of wage employment is concentrated in the three countries with the largest population: Argentina (81.8% to 84.8%), Brazil (67.6% to 78.7%) and Mexico (67.8% to 71.4%), while among the smaller countries there are several in which the proportion of wage employment in microenterprises did not increase or even shrank.

Besides the rising proportion of wage employees in microenterprises, it is the changing composition of employment by size strata as it shifts toward larger enterprises (see table II.1 above) that is driving up the share of wage employees as a percentage of total employment.

To estimate how the share of different employment categories would have changed if the share of microenterprises had not declined, a simulation was performed keeping the structure of employment by size strata constant. The outcome was that the share of wage workers as a percentage of total employment would have increased anyway between 2003 and 2013, but the magnitude of the rise would have been about half the one that actually took place (see figure II.1).

So, the increase in the proportion of wage employees as a share of total employment is due just about equally to an increase within enterprise size categories (within effects), especially in microenterprises, and to a change in the composition of employment between size categories (between effects). The impact of salarization within microenterprises reflects a formalization of employment in these production units that could have to do with closer links to larger companies through supply chains, but this is an issue that calls for further research.

Figure II.1
VARIATION IN THE PROPORTION OF WAGE EMPLOYEES AS A SHARE OF TOTAL EMPLOYMENT, 2003-2013
(Percentage points)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of household surveys conducted in the respective countries.

Beyond the greater proportion of wage employees, job quality also improved as measured by health insurance coverage, from 39.9% of employed persons in 2003 to 53.6% in 2013 (see table II.4). The sharp rise in coverage was in all strata, including own-account workers and female domestic workers. But it was especially marked in microenterprises, at nearly 14 percentage points (from 25.1% to 39.0%). Still, large gaps remain in social security coverage by enterprise size.

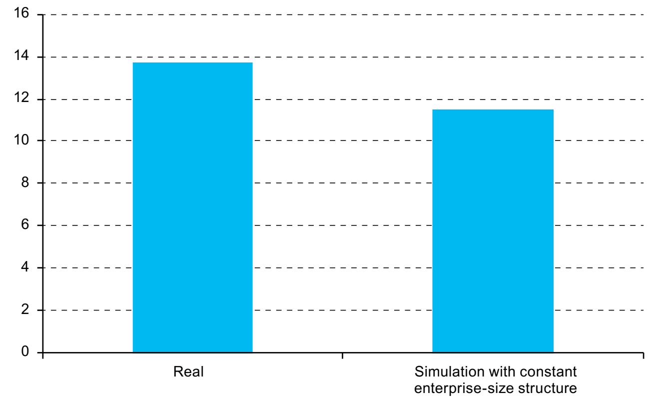
Table II.4
LATIN AMERICA (WEIGHTED AVERAGE FOR SEVEN COUNTRIES): EMPLOYED PERSONS COVERED BY HEALTH INSURANCE BY ENTERPRISE SIZE
(Percentages)

	Workers	Own-account	Microenterprises	Small, medium-sized and large enterprises	Domestic service
2003	39.9	9.1	25.1	81.6	21.8
2008	47.2	14.5	32.0	85.4	25.8
2013	53.6	21.5	39.0	88.3	33.3

Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of household surveys conducted in the respective countries.

A simulation of how health insurance coverage would have changed if the structure of employment by enterprise size strata had remained constant showed that the increase in coverage would have been somewhat smaller. But more than three quarters of the improvement could be linked to coverage increases within categories and less than a quarter to the change in composition by enterprise size due to a shift to larger firms (see figure II.2).

Figure II.2
VARIATION IN HEALTH INSURANCE COVERAGE, 2003-2013
(Percentage points)

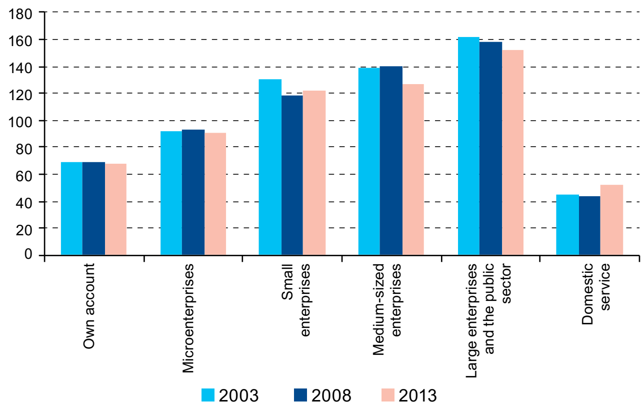


Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of household surveys conducted in the respective countries.

The gap between labour income in microenterprises and in large firms showed no systematic variation. Of the 15 countries for which data are available for this variable, the gap narrowed in 6 countries, widened in 8 and remained constant in 1. In the median for the countries for which information is available, compared with average income for all employed persons, income for wage employees of microenterprises held steady between 2003 and 2013, as it did for own-account workers. Average income in larger enterprises dipped slightly compared with the average for all employed persons (see figure II.3). Two main results can thus be identified. First, improvements in average labour income are partly due to the aforementioned change in composition of employment, with a higher percentage of larger enterprises generating higher labour income. Second, average gaps in income between microenterprises and larger enterprises narrowed slightly. As with the relative improvements in average income for own-account workers, this could be because emerging employment opportunities in larger enterprises with higher levels of productivity and led workers to leave low-productivity activities (both own-account and microenterprises), which favoured average income in these segments.

This interpretation implies that the productivity gap between microenterprises and large enterprises most likely did not narrow in structural terms, despite growing salarization and formality in the labour market in general and microenterprises in particular. In this regard, studies on structural heterogeneity indicate that productivity gaps between the high- and low-productivity strata of the region's production structure are wide by comparison not only with other regions and countries but also with the region's own structure 50 years ago (Infante, 2011).

Figure II.3
LATIN AMERICA (MEDIAN FOR 15 COUNTRIES): LABOUR INCOME BY ENTERPRISE SIZE AND JOB CATEGORY, 2003, 2008 AND 2013
(Percentages, average income of the employed population=100)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of household surveys conducted in the respective countries.

The gaps in employment and labour income by enterprise size reflect the fact that smaller enterprises are concentrated in sectors of the economy that show low productivity in Latin America, especially the primary sector[4] (mainly agriculture), while larger enterprises and the public sector are concentrated in service activities (see table II.5). Although in other world regions agricultural productivity can virtually match that of other economic activities, Latin America's agriculture is dominated by microenterprises whose productivity is even lower than that of microenterprises in other sectors. There was modest progress in narrowing gaps in the sectoral distribution of employment by enterprise size between 2003 and 2013, because it was at the microenterprise level that the percentage of employment in primary activities declined the most. And employment rose in tertiary activities across all strata except larger enterprises, where it already predominated in 2003.

Table II.5
LATIN AMERICA (WEIGHTED AVERAGE FOR 16 COUNTRIES): EMPLOYMENT STRUCTURE BY ENTERPRISE SIZE AND SECTOR OF ACTIVITY
(Percentages)

		Workers	Own-account	Microenterprises	Small enterprises	Medium-sized enterprises	Large enterprises and public sector	Domestic service
2003	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Primary	19.8	30.5	31.1	5.3	8.4	2.6	n.d.
	Secondary	21.2	18.8	20.1	37.0	37.3	15.6	n.d.
	Tertiary	59.0	50.7	48.8	57.6	54.3	81.8	100.0
2008	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Primary	17.2	29.2	26.9	4.5	6.4	2.8	n.d.
	Secondary	22.4	19.7	21.4	35.9	34.8	15.2	n.d.
	Tertiary	60.4	51.1	51.7	59.6	58.8	82.1	100.0
2013	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Primary	15.7	27.9	23.7	4.0	7.5	3.5	n.d.
	Secondary	21.5	19.3	21.1	33.4	30.1	15.2	n.d.
	Tertiary	62.8	52.9	55.2	62.6	62.3	81.2	100.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of household surveys conducted in the respective countries.

Another salient factor is the education profile gap between workers in microenterprises and in larger enterprises. The percentage of employed persons with higher education among the total employed in microenterprises increased only modestly between 2003 (12.5%) and 2013 (15.6%), without closing the gap with larger enterprises. Therefore, the change in education profile did not help to narrow the productivity gap. Small enterprises, on the other hand, did post a slightly larger increase in the percentage of employed persons with higher education during the same period (from 21.5% to 27.5%) (see table II.6).

4 The branch of activity with the highest labour productivity region-wide (mining) is part of the primary sector, but employment in high-productivity mining is concentrated in large companies. It thus has little effect on the composition of employment in microenterprises.

Table II.6
LATIN AMERICA (WEIGHTED AVERAGE FOR 16 COUNTRIES): EMPLOYMENT STRUCTURE BY ENTERPRISE SIZE AND EDUCATION LEVEL
(Percentages)

		Workers	Own-account	Microenterprises	Small enterprises	Medium-sized enterprises	Large enterprises and public sector	Domestic service
2003	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	No level and primary	52.2	68.8	56.8	39.6	28.3	20.9	76.3
	Secondary	29.7	21.5	30.7	38.9	36.6	34.2	21.8
	Higher	18.1	9.7	12.5	21.5	35.2	44.9	1.9
2008	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	No level and primary	44.0	62.1	48.4	30.5	22.8	15.8	69.0
	Secondary	36.4	27.6	38.2	45.1	42.5	37.5	28.3
	Higher	19.7	10.4	13.4	24.4	34.7	46.7	2.7
2013	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	No level and primary	38.2	56.6	41.8	26.9	18.4	12.4	62.5
	Secondary	38.8	30.7	42.6	45.6	44.5	37.2	33.7
	Higher	23.0	12.7	15.6	27.5	37.1	50.4	3.8

Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of household surveys conducted in the respective countries.

Lastly, although the region has had some experiences with strengthening trade union movements and rising unionization rates, these increases have not been widespread and there was no clear uptrend in unionization rates in smaller enterprises. Thus, at the microenterprise level the rate was at best about half the rate among workers in larger enterprises (for Brazil), while in other countries with available data, the rate is below one third.

B. Conclusions

This section takes a broader look at the composition and quality of employment in Latin America and the Caribbean during the boom decade between 2003 and 2013, disaggregating these changes by enterprise size. The good news is that advances were not concentrated in large companies but were also –and above all– seen in smaller enterprises. The greatest jump in the proportion of wage employees and the largest increase in health insurance coverage measured in percentage points were among microenterprise workers. There was also a decrease in the concentration of microenterprise workers engaged in primary activities, which are mostly low-productivity in this region. But despite this progress, there was no significant decrease in income gaps between micro and large enterprises, suggesting that the productivity gaps between enterprises of different sizes did not close either.

Sustainably overcoming gaps in productivity, working conditions and informality calls for a combination of production development policies and policies on labour, education and training. The first are needed to promote a shift in the proportion of firm sizes, with less predominance of microenterprises and small firms and stronger growth in medium-sized enterprises that have higher productivity and better employment conditions. Labour, education and training policies are needed to reduce job quality gaps within the segment of microenterprises and small firms, which means affording labour issues greater importance in policies for supporting these types of enterprises.

From the point of view of micro and small enterprise management, it is necessary to move past the approach that improving working conditions is just a cost without taking into account the potential virtuous relationship between productivity improvements and better working conditions at these enterprises. Initiatives such as the ILO Sustaining Competitive and Responsible Enterprises (SCORE) programme seek to promote this virtuous relationship, providing support to enterprises for promoting growth and creating quality jobs. Interventions to cut accident rates, which have positive implications for both working conditions and productivity, are an example of this.[5]

The heterogeneity of the microenterprise world itself makes it important to identify the productive and labour potential of production units so as to design targeted measures or packages of instruments that can help to boost their productive and workforce development. The sharp contraction in the share of employment in microenterprises during 2003-2013 confirms the validity of the structuralist hypothesis that much of this employment reflects the needs of low-income households rather than the dynamic of emerging, expansion-oriented entrepreneurs.

[5] See [online] http://www.ilo.org/empent/Projects/score. Concerning the region, the experiences of Colombia, Peru and the Plurinational State of Bolivia are documented on the website.

Lastly, productive development policies and labour policies should not be seen as complementary only in the area of enterprises and production units, but also in the context of value chains because the insertion of smaller enterprises in global value chains has contrasting impacts on working conditions. International experience shows that wage increases may come with deterioration of other factors, such as lower unionization rates, worsening work environment conditions and lower job security.[6] In this context, large enterprises or chain leaders have an important role to play in the management of the labour and social aspects of their supply chains.

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6 See a number of publications produced in the framework of the international network of experts Capturing the Gains [online] (http://www.capturingthegains.org/).

Annex

TABLE A.1
LATIN AMERICA AND THE CARIBBEAN: AVERAGE URBAN UNEMPLOYMENT RATES, 2004 TO FIRST HALF OF 2015
(Percentages)

Country	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 [a]	2014	2015
												First half [a]	
Latin America													
Argentina [b]	13.6	11.6	10.2	8.5	7.9	8.7	7.7	7.2	7.2	7.1	7.3	7.3	6.9
Bolivia (Plurinational State of) [c]	6.2	8.2	8.0	7.7	6.7	7.9	6.5 [d]	…	…	…		…	…
Brazil [e]	11.5	9.8	10.0	9.3	7.9	8.1	6.7	6.0	5.5	5.4	4.8	4.9	6.2
Chile [f]	10.0	9.2	7.8	7.1	7.8	9.7	8.2	7.1	6.4	5.9	6.4	6.5	6.3
Colombia [g]	15.3	13.9	12.9	11.4	11.5	13.0	12.4	11.5	11.2	10.6	9.9	10.7	10.3
Costa Rica [h]	6.7	6.9	6.0	4.8	4.8	8.5	7.1	7.7	7.8	8.2	8.5	9.4	10.0
Cuba [i]	1.9	1.9	1.9	1.8	1.6	1.7	2.5	3.2	3.5	3.3	2.7	…	…
Dominican Republic [i]	6.1	6.4	5.5	5.0	4.7	5.3	5.0	5.8	6.5	7.0	6.4	…	…
Ecuador [j]	9.7	8.5	8.1	7.3	6.9	8.5	7.6	6.0	4.9	4.7	5.1	5.7	5.2
El Salvador [k]	6.5	7.3	5.7	5.8	5.5	7.1	6.8	6.6	6.2	5.6	…	…	…
Guatemala [l]	4.4	…	…	…	…	…	4.8	3.1	4.0	3.8	4.0	…	…
Honduras [m]	8.0	6.1	4.6	3.9	4.2	4.9	6.4	6.8	5.6	6.0	7.5	…	…
Mexico [n]	5.3	4.7	4.6	4.8	4.9	6.6	6.4	5.9	5.8	5.7	5.8	6.0	5.1
Nicaragua [m]	8.6	7.0	7.0	6.9	8.0	10.5	9.7	…	…	…	…	…	…
Panama [o]	14.1	12.1	10.4	7.8	6.5	7.9	7.7	5.4	4.8	4.7	5.4	5.0 [p]	6.0 [p]
Paraguay [q]	10.0	7.6	8.9	7.2	7.4	8.2	7.0	6.5	6.1	5.9	7.4	8.8	7.6
Peru [r]	9.4	9.6	8.5	8.5	8.4	8.4	7.9	7.7	6.8	5.9	5.9	6.3	6.9
Uruguay [m]	13.1	12.2	11.3	9.8	8.3	8.2	7.5	6.6	6.7	6.7	6.9	7.1	7.6
Venezuela (Bolivarian Republic of) [s]	15.3	12.3	10.0	8.4	7.3	7.9	8.7	8.3	8.1	7.8	7.1	…	…
The Caribbean													
Bahamas [s]	10.2	10.2	7.7	7.9	8.7	14.2	…	15.9	14.4	15.8	14.8	13.8 [t]	12.2 [t]
Barbados [s]	9.6	9.1	8.7	7.4	8.1	10.0	10.8	11.2	11.6	11.6	12.3	…	…
Belize [s]	11.6	11.0	9.4	8.5	8.2	13.1	12.5	…	15.3	13.2	11.6	11.1 [u]	10.1 [u]
Jamaica [s]	11.4	11.2	10.3	9.8	10.6	11.4	12.4	12.6	13.9	15.2	13.7	13.5 [v]	13.7 [v]
Trinidad and Tobago [s]	8.3	8.0	6.2	5.5	4.6	5.3	5.9	5.1	5.0	3.7	3.3	3.1 [p]	3.7 [p]
Latin America and the Caribbean [w]	**10.3**	**9.0**	**8.6**	**7.9**	**7.3**	**8.1**	**7.3**	**6.7**	**6.4**	**6.2**	**6.0**	**6.2 [x]**	**6.5 [x]**

Source: Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of information from household surveys conducted in the countries.
[a] Preliminary data.
[b] Gradual incorporation up to 31 urban areas in the third quarter of 2006.
[c] Urban area. Figure for 2004 based on the survey conducted between November 2003 and October 2004. New measurement from 2009; data not comparable with previous years.
[d] First half of the year.
[e] Six metropolitan regions.
[f] National total. New measurement from 2010; data not comparable with previous years.
[g] Corresponds to 13 metropolitan areas. Includes hidden unemployment.
[h] National urban unemployment. New measurement from 2009; data not comparable with previous years. The half-yearly data come from a different survey and are not comparable with the annual data.
[i] National total.
[j] National urban unemployment. In 2007, the definition of the working-age population changed from 10 years and over to 15 years and over. Includes hidden unemployment.
[k] National urban unemployment. In 2007, the definition of the working-age population changed from 10 years and over to 16 years and over. Includes hidden unemployment.
[l] National urban unemployment. In 2011, the definition of the working-age population changed from 10 years and over to 15 years and over.
[m] National urban unemployment.
[n] Corresponds to 32 urban areas. In 2005, the definition of the working-age population changed from 14 years and over to 15 years and over.
[o] National urban unemployment. Includes hidden unemployment.
[p] Figure for March.
[q] National urban unemployment. The half-yearly data refer to Asunción and urban areas of the Central Department.
[r] Metropolitan Lima.
[s] National total. Includes hidden unemployment.
[t] Figure for May.
[u] Figure for April.
[v] Average for the months of January and April.
[w] Weighted average. Includes an adjustment to the data to exclude hidden unemployment in Colombia, Ecuador and Panama.
[x] Figure corresponds to a smaller number of countries, and is therefore not comparable with the annual data.

TABLE A.2

LATIN AMERICA AND THE CARIBBEAN: AVERAGE URBAN PARTICIPATION RATES, 2004 TO FIRST HALF OF 2015

(Percentages)

Country	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 [a]	2014	2015
												First half [a]	
Latin America													
Argentina [b]	60.2	59.9	60.3	59.5	58.8	59.3	58.9	59.5	59.3	58.9	58.3	58.3	57.6
Bolivia (Plurinational State of) [c]	58.6	55.7	58.7	57.1	…	56.9	57.3 [d]	…	…	…	…	…	…
Brazil [e]	57.2	56.6	56.9	56.9	57.0	56.7	57.1	57.1	57.3	57.1	56.0	56.0	55.7
Chile [f]	55.0	55.6	54.8	54.9	56.0	55.9	58.5	59.8	59.5	59.6	59.8	59.9	59.6
Colombia [g]	63.6	63.3	62.0	61.8	62.6	64.6	65.7	66.7	67.6	67.4	67.9	67.3	67.9
Costa Rica [h]	56.3	58.2	58.2	58.5	58.6	62.3	60.7	62.6	62.3	61.5	60.8	64.0	63.4
Cuba [i]	71.0	72.1	72.1	73.7	74.7	75.4	74.9	76.1	74.2	72.9	71.9	…	…
Dominican Republic [i]	48.9	49.0	49.7	49.9	50.1	48.4	49.6	51.0	51.4	51.3	52.3	…	…
Ecuador [j]	59.1	59.5	59.1	69.1	67.7	66.3	64.2	62.2	62.8	61.8	62.2	61.7	63.2
El Salvador [k]	53.9	54.3	53.9	63.6	64.1	64.3	64.4	63.7	64.6	65.1	…	…	…
Guatemala [l]	…	…	…	…	…	…	…	61.0	65.5	61.9	62.7	…	…
Honduras [l]	52.7	50.3	52.1	51.7	52.7	53.1	53.7	52.5	51.2	54.3	55.7	…	…
Mexico [m]	58.8	60.9	62.0	62.0	61.7	61.5	61.3	61.4	62.1	61.7	60.9	61.0	60.8
Nicaragua [l]	52.6	53.7	52.8	50.5	53.8	52.1	…	…	…	…	…	…	…
Panama [n]	64.2	63.7	62.8	62.6	64.4	64.4	64.0	63.2	63.6	64.1	64.3	64.5 [o]	65.6 [o]
Paraguay [p]	62.4	60.4	57.9	59.6	61.5	62.3	60.1	60.0	63.8	62.1	61.8	65.2	65.7
Peru [q]	68.0	67.1	67.5	68.9	68.1	68.4	70.0	70.0	69.1	68.9	68.4	68.8	68.2
Uruguay [l]	58.5	58.5	60.8	62.9	62.8	63.3	63.5	65.0	64.0	63.6	64.8	64.9	64.1
Venezuela (Bolivarian Republic of) [r]	68.5	66.2	65.5	64.9	64.9	65.1	64.5	64.4	63.9	64.3	65.0	…	…
The Caribbean													
Bahamas [r]	75.7	…	…	…	…	73.4	…	72.1	72.5	73.2	73.7	…	…
Barbados [r]	69.4	69.6	67.9	67.8	67.6	67.0	66.6	67.6	66.2	66.7	63.8	…	…
Belize [r]	60.3	59.4	57.6	61.2	59.2	…	…	…	65.8	64.5	…	…	…
Jamaica [r]	64.5	64.2	64.7	64.9	65.5	63.5	62.4	62.3	61.9	63.0	62.8	62.9 [s]	62.9 [s]
Trinidad and Tobago [r]	63.0	63.7	63.9	63.5	63.5	62.7	62.1	61.3	61.8	61.3	61.9	62.6 [o]	60.8 [o]
Latin America and the Caribbean [t]	**60.0**	**59.7**	**59.9**	**60.1**	**60.1**	**60.2**	**60.4**	**60.6**	**60.9**	**60.6**	**60.1**	**59.7 [u]**	**59.6 [u]**

Source: Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of information from household surveys conducted in the countries.

[a] Preliminary data.
[b] Gradual incorporation up to 31 urban areas in the third quarter of 2006.
[c] Urban area. Figure for 2004 based on the survey conducted between November 2003 and October 2004. New measurement from 2009; data not comparable with previous years.
[d] First half of the year.
[e] Six metropolitan regions.
[f] National total. New measurement from 2010; data not comparable with previous years.
[g] Corresponds to 13 metropolitan areas. Includes hidden unemployment.
[h] National urban labour market participation. New measurement from 2009; data not comparable with previous years. The half-yearly data come from a different survey and are not comparable with the annual data.
[i] National total.
[j] National urban labour market participation. In 2007, the definition of the working-age population changed from 10 years and over to 15 years and over. Includes hidden unemployment.
[k] National urban labour market participation. In 2007, the definition of the working-age population changed from 10 years and over to 16 years and over. Includes hidden unemployment.
[l] National urban labour market participation.
[m] Corresponds to 32 urban areas. In 2005, the definition of the working-age population changed from 14 years and over to 15 years and over.
[n] National urban labour market participation. Includes hidden unemployment.
[o] Figure for March.
[p] National urban labour market participation. The half-yearly data refer to Asunción and urban areas of the Central Department.
[q] Metropolitan Lima.
[r] National total. Includes hidden unemployment.
[s] Average for the months of January and April.
[t] Weighted average. Includes an adjustment to the data to exclude hidden unemployment in Colombia, Ecuador and Panama. Does not include Bolivia (Plurinational State of), Guatemala or Nicaragua.
[u] Figure corresponds to a smaller number of countries, and is therefore not comparable with the annual data.

TABLE A.3
LATIN AMERICA AND THE CARIBBEAN: AVERAGE URBAN EMPLOYMENT RATES, 2004 TO FIRST HALF OF 2015
(Percentages)

País	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 [a]	2014	2015
												First half [a]	
Latin America													
Argentina [b]	52.1	53.0	54.1	54.5	54.2	54.2	54.4	55.2	55.0	54.7	54.0	54.0	53.7
Bolivia (Plurinational State of) [c]	55.0	51.2	54.0	52.7	…	52.4	53.6 [d]	…	…	…	…	…	…
Brazil [e]	50.6	51.0	51.2	51.6	52.5	52.1	53.2	53.7	54.2	54.0	53.3	53.2	52.3
Chile [f]	49.5	50.4	50.5	51.0	51.7	50.5	53.7	55.5	55.7	56.0	56.0	56.0	55.8
Colombia [g]	53.8	54.5	54.0	54.8	55.3	56.2	57.6	59.1	60.1	60.3	61.2	60.1	60.9
Costa Rica [h]	52.5	54.2	54.7	55.7	55.7	57.0	56.4	57.8	57.4	56.5	55.6	58.0	57.1
Cuba [i]	69.7	70.7	70.7	72.4	73.6	74.2	73.0	73.6	71.6	70.5	70.0	…	…
Ecuador [j]	53.4	54.4	54.3	64.3	63.1	60.7	59.3	58.5	59.7	58.9	59.0	58.2	59.9
El Salvador [k]	50.4	50.3	50.8	59.9	60.6	59.7	60.0	59.5	60.6	61.5	…	…	…
Guatemala [l]	…	…	…	…	…	…	…	59.0	62.8	59.5	60.2	…	…
Honduras [l]	48.5	47.2	49.7	49.7	50.5	50.5	50.3	48.9	48.3	51.1	51.5	…	…
Mexico [m]	55.8	58.0	59.2	59.1	58.7	57.4	57.4	57.8	58.5	58.2	57.3	57.4	57.7
Nicaragua [l]	48.0	49.9	49.1	47.1	49.5	46.6	…	…	…	…	…	…	…
Panama [l]	55.1	56.0	56.3	57.7	60.2	59.3	59.1	59.8	60.6	61.1	60.9	61.2 [n]	61.6 [n]
Paraguay [o]	56.1	55.8	52.7	55.3	57.0	57.1	55.9	56.1	59.9	58.4	57.3	59.5	60.7
Peru [p]	61.6	60.7	61.8	63.0	62.4	62.7	64.5	64.5	64.4	64.8	64.3	64.4	63.4
Dominican Republic [i]	46.0	45.9	46.9	47.4	47.7	45.8	47.1	48.0	48.2	47.7	49.0	…	…
Uruguay [l]	50.9	51.4	53.9	56.7	57.6	58.4	58.8	60.7	59.6	59.5	60.4	60.4	59.2
Venezuela (Bolivarian Republic of) [i]	58.0	58.0	58.9	59.4	60.2	60.0	58.9	59.0	58.7	59.3	60.4	…	…
The Caribbean													
Bahamas [i]	68.0	…	…	…	…	63.0	…	60.6	62.1	61.6	62.8	…	…
Barbados [i]	62.7	63.2	61.9	62.8	62.1	60.3	59.4	60.0	58.5	58.9	56.0	…	…
Belize [i]	53.3	52.8	52.2	56.0	54.3	…	…	…	55.8	56.7	…	…	…
Jamaica [i]	57.0	57.0	58.0	58.6	58.5	56.3	54.7	54.4	53.3	53.4	54.2	54.4 [q]	54.2 [q]
Trinidad and Tobago [i]	57.8	58.6	59.9	59.9	60.6	59.4	58.4	58.2	58.8	59.1	59.9	60.6 [n]	58.6 [n]
Latin America y the Caribbean [r]	**53.8**	**54.4**	**54.9**	**55.4**	**55.8**	**55.4**	**56.0**	**56.6**	**57.0**	**56.8**	**56.5**	**56.0 [s]**	**55.7 [s]**

Source: Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of information from household surveys conducted in the countries.
[a] Preliminary data.
[b] Gradual incorporation up to 31 urban areas in the third quarter of 2006.
[c] Urban area. Figure for 2004 based on the survey conducted between November 2003 and October 2004. New measurement from 2009; data not comparable with previous years.
[d] First half of the year.
[e] Six metropolitan regions.
[f] National total. New measurement from 2010; data not comparable with previous years.
[g] Corresponds to 13 metropolitan areas.
[h] National urban employment. New measurement from 2009; data not comparable with previous years. The half-yearly data come from a different survey and are not comparable with the annual data.
[i] National total.
[j] National urban employment. In 2007, the definition of the working-age population changed from 10 years and over to 15 years and over. Includes hidden unemployment.
[k] National urban employment. In 2007, the definition of the working age population changed from 10 years and over to 16 years and over.
[l] National urban employment.
[m] Corresponds to 32 urban areas. In 2005, the definition of the working-age population changed from 14 years and over to 15 years and over.
[n] Figure for March.
[o] National urban employment. The half-yearly data refer to Asunción and urban areas of the Central Department.
[p] Metropolitan Lima.
[q] Average for the months of January and April.
[r] Weighted average. Does not include Bolivia (Plurinational State of), Guatemala or Nicaragua.
[s] Figure corresponds to a smaller number of countries, and is therefore not comparable with the annual data.

TABLE A.4
LATIN AMERICA AND THE CARIBBEAN (12 COUNTRIES): URBAN PARTICIPATION, EMPLOYMENT AND OPEN UNEMPLOYMENT RATES BY SEX, FIRST HALF OF 2014 AND 2015 [a]
(Percentages)

Countries	Unemployment rate						Participation rate						Employment rate					
	Total		Men		Women		Total		Men		Women		Total		Men		Women	
	First half of 2014	First half of 2015	First half of 2014	First half of 2015	First half of 2014	First half of 2015	First half of 2014	First half of 2015	First half of 2014	First half of 2015	First half of 2014	First half of 2015	First half of 2014	First half of 2015	First half of 2014	First half of 2015	First half of 2014	First half of 2015
Argentina (31 urban areas)	7.3	6.9	6.5	6.1	8.6	8.0	58.3	57.6	71.2	70.1	46.5	46.2	54.0	53.7	66.7	65.9	42.5	42.6
Brazil (6 metropolitan areas)	4.9	6.3	4.0	5.5	6.0	7.1	56.0	55.8	65.3	64.8	48.0	48.1	53.2	52.3	62.7	61.3	45.2	44.6
Chile	6.5	6.3	6.1	5.6	6.9	7.3	59.9	59.6	71.9	71.6	48.2	47.9	56.0	55.8	67.5	67.6	44.9	44.4
Colombia (13 cities)																		
Broad measurement [b]	10.7	10.3	8.8	8.6	12.7	12.2	67.3	67.9	75.5	75.8	60.0	60.8	60.1	60.9	68.8	69.3	52.3	53.4
Open unemployment	10.1	9.7	8.5	8.2	11.8	11.3												
Costa Rica	9.4	9.8	7.9	8.2	11.7	12.2	62.9	62.0	76.3	74.7	49.4	49.1	57.0	55.9	70.3	68.6	43.6	43.1
Ecuador																		
Broad measurement [b]	5.6	5.2	5.1	4.2	6.5	6.6	61.7	63.2	76.4	77.6	48.2	50.1	58.2	59.9	72.4	74.3	45.0	46.8
Open unemployment	4.7	4.5	4.2	3.7	5.3	5.7												
Jamaica [c]																		
Broad measurement [b]	13.5	13.7	10.3	10.5	17.4	17.7	62.9	62.9	70.2	70.0	55.9	56.0	54.4	54.3	63.0	62.6	46.1	46.1
Open unemployment	9.2	10.0	7.3	7.5	11.6	11.8												
Mexico (32 areas)	5.9	5.1	6.2	5.2	5.6	5.0	61.0	60.8	76.4	76.0	47.3	47.2	57.4	57.7	71.7	72.1	44.7	44.8
Panama [d]																		
Broad measurement [b]	5.0	6.0	4.2	5.1	6.1	7.1	64.5	65.6	77.6	78.1	52.9	54.4	61.2	61.6	74.3	74.1	49.7	50.5
Open unemployment	3.7	4.8	3.0	4.0	4.7	5.9												
Peru (Metropolitan Lima)	6.3	6.9	5.5	5.6	7.3	8.5	68.8	68.2	78.1	76.4	60.1	60.5	64.4	63.4	73.9	72.1	55.6	55.4
Paraguay (Asunción and urban areas of the Central Department)	8.8	7.6	6.6	6.6	11.6	8.9	65.2	65.7	74.9	75.6	56.1	56.8	59.5	60.7	70.0	70.6	49.6	51.7
Uruguay	7.0	7.6	5.7	6.6	8.6	8.8	65.1	64.0	73.8	72.5	57.3	56.4	60.5	59.1	69.7	67.7	52.4	51.4

Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of official information from the countries.
[a] In the case of Chile, Costa Rica and Jamaica, the figure is the national total.
[b] Includes hidden unemployment as part of the economically active population and unemployment.
[c] Data correspond to the average for January to April in both years.
[d] Data for the month of March in both years.

Regional employment was hit harder by the economic slowdown in the first half of 2015 than in 2014. Although an increase in own-account employment partly offset slack labour demand on the part of companies, the employment rate continued to fall compared year-on-year. Furthermore, as the downtrend in labour market participation reversed, the region's unemployment rate —which had dropped slightly in 2014— began to rise and the average rate for the year is expected to increase by more than half a percentage point to 6.6%. The small increase in wage employment and rapid expansion of own-account work also indicate deteriorating employment composition. However, the labour situation in general has not yet become critical and real wages showed moderate gains.

The region's labour indicators improved significantly in the decade between 2003 and 2013. But did this improvement occur across all strata? How did microenterprises fare? Section II of this report describes improvements more or less across the board. In smaller firms, in particular, employment quality (social security coverage) improved and wage employment came to account for a larger share of total jobs. Notwithstanding this widespread progress, however, the data show no significant narrowing of productivity gaps between small and medium-sized companies. The risk is thus that the gains made between 2003 and 2013 could be lost if the current inclement conditions last for any length of time.

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