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ECLAC / ILO

Employment Situation in Latin America and the Caribbean

Labour productivity
in Latin America



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**International
Labour
Organization**

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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.

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Foreword

The Latin American and Caribbean economies are facing complex macroeconomic, social and environmental conditions that make it necessary to rethink public policies with a view to fostering economic recovery and transforming the development models in the region.

The coronavirus disease (COVID-19) pandemic led to an unprecedented crisis in Latin American and Caribbean economies and labour markets. In 2020, the region recorded the steepest contraction in real GDP in the last seven decades (6.9%) and, despite the recovery in 2021 (6.5%), the Economic Commission for Latin America and the Caribbean (ECLAC) projects a sharp slowdown in GDP growth in 2022 and 2023, with rates of 3.2% and 1.4%, respectively. This would mean growth of 0.8% in the region in the 10 years between 2014 and 2023, less than half the figure seen in the “lost decade” of 1980–1989. In Latin America and the Caribbean, the pandemic also led to a record decrease in the number of employed persons (8.2%), larger than that seen in developed economies and other emerging economies (ILO, 2021; ECLAC, 2020).

Previous reports have emphasized that the recovery of the region’s labour markets has been slow, partial and uneven. However, as noted in the first part of this report, there were favourable changes in the main indicators of these markets in the first half of 2022. First, in the second quarter of 2022, the employment rate returned to the level seen before the crisis and the unemployment rate fell by 2.8 percentage points compared to the year-earlier period to stand at 7.3%, lower than the pre-pandemic level. This decline in the unemployment rate was seen in all the countries analysed. The participation rate also improved, although it remains below the level seen prior to the health crisis. Another aspect underlined in the first part of the report is that these positive trends were strongest among women, who had been hardest hit by the pandemic and whose recovery was slower than that of men in 2021. Indeed, during the first half of 2022, although the unemployment rate fell for both men and women (by 2.3 and 3.4 percentage points, respectively), the decrease was much sharper for women, resulting in a narrowing of the unemployment gap from 1.5 to 1.4, between the first half of 2021 and the same period of 2022.

Moreover, the report highlights that since the first half of 2022, growth in wage employment has outpaced that of own-account work, and that the manufacturing sector has recorded the highest rates of job creation. The first part of the report also notes that average real wages have fallen as a result of the sharp increase in inflation in the first half of the year.

Beyond the difficulties posed by the current labour market situation, the region’s economies face the challenge of reversing the weak growth in productivity and investment registered since the debt crisis. The second part of this report shows that labour productivity in Latin America has stagnated to the extent that it has not been able to regain the levels reached before 1980. As a result, the productivity gaps between the region’s economies and developed economies have widened, while the gaps between Latin America and other emerging economies have increased even more. The stagnation of labour productivity in the region has been widespread and, unlike in other emerging

economies, such as those in Asia, productive development policies focused on the sectors that drive and stimulate growth have lacked the necessary force to guide structural change. This has contributed to the sluggishness of aggregate labour productivity in the region.

To reverse this situation and create more formal well-paid jobs, more ambitious productive development policies are needed, which take into account new policy approaches for achieving this along with the new realities shaped by the technological revolution and the new productive paradigms arising therefrom. Productive development policies must also be supported by a macroeconomic and financial framework that is fit for purpose.

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I. The employment situation in the first half of 2022

Introduction

Although the economic news is currently marked by the international context of high inflation and rising interest rates, Latin American and Caribbean economies performed well in the first half of 2022, and this is reflected in the labour markets. The first six months of the year saw a shift in several trends with respect to earlier periods in the region's labour markets. At the outset of the coronavirus disease (COVID-19) pandemic, the unemployment rate had risen in Latin America and the Caribbean to two-digit levels. In the first half of 2022, however, there was a reversal of this trend, with a significant fall in unemployment both regionally and across the board at the country level; in fact, the unemployment rate came down to pre-pandemic levels. This decline chiefly reflected a larger rise in the regional employment rate relative to the participation rate, which also marks a shift with respect to the first half of 2020. Notably, these trends were strongest among women.

This section of the report analyses the main employment indicators in Latin America and the Caribbean in the first half of 2022. Although job creation in the region has continued the upward trend seen in 2021, in this period growth in wage employment outpaced that of own-account work. In turn, jobs were created especially in the services sector, although manufacturing also showed stronger job creation.

A. The regional unemployment rate has declined heavily

The unemployment rate fell sharply in the first half of 2022, by 2.8 percentage points with respect to the year-earlier period, to stand at 7.3%. As shown in figure I.1, in a context of still-expanding regional GDP, this meant that the unemployment rate fell below its pre-pandemic level. This change in labour market performance shows, for one, that the growth in the region's economies has been reflected mainly in an increase in the regional employment rate. As shown in figure I.2, while in the first half of 2021 the participation rate grew more than the employment rate, leading to a 0.5 percentage point rise in the regional unemployment rate, in the first half of 2022 employment was up 3.3 percentage points, almost twice as much as the participation rate (1.7 percentage points).

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