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Employment, Unemployment, and Underemployment in Latin America

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EMPLOYMENT, UNEMPLOYMENT, AND UNDEREMPLOYMENT
IN LATIN AMERICA

by

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I. INTRODUCTION

In 1973, the Inter-American Economic and Social Council issued a report that identified a pressing problem facing the countries of the hemisphere in the following terms:

Of the many socioeconomic maladjustments at present faced by Latin American countries, a critical one is the gap between opportunities for gainful employment and the size of the working-age population. The great importance ascribed to this problem lies in its very extent, the prevailing trends toward its worsening in almost the entire region, on its disastrous consequences for the welfare of a large proportion of the population, and on the decisive role it will play in the dynamics of the socioeconomic development of Latin America in the next few years.¹

This concern with the quantity and quality of employment opportunities available to the labor force is shared by virtually all observers of the development process and by government and international agencies charged with the responsibility of facilitating the economic development of the Third World. A special urgency is attached to the problem of employment in view of the generally prevailing belief that employment conditions have been deteriorating generally in the less developed countries. For example, a recent report of the Inter-American Development Bank noted that "in Latin America today the rapid growth rate of the labor force is not for the most part being matched by increased opportunities for employment. As a result, both unemployment and underemployment are increasing in most countries."²

Some of the estimates of the degree to which labor resources are underutilized are truly alarming. One such estimate for Mexico, made in 1972, suggested that approximately 52 percent of the labor force was underemployed.³ Lesser, but still substantial, rates of labor force underutilization have been estimated by the Regional Program for Employment in Latin America and the Caribbean (PREALC) of the International Labour Office. The average proportion of the labor force that was either unemployed or underemployed, expressed in terms of unemployment equivalents, was
found to be on the order of 27.2 percent for seven large countries that together account for 77 percent of the labor force in Latin America. The individual country rates of underutilization ranged from 13.6 percent for Argentina to 32.2 percent for Brazil. These estimates refer to 1970. Since most countries' rate of growth in gross domestic products (GDP) declined following the sharp price increases of petroleum in 1974, it is believed that these proportions have probably increased in recent years.

The presumption that employment conditions have deteriorated in recent years may also derive, in part, from the discrepancy between actual growth rates during the current decade and those that were assumed to be required if the unemployment problems were not to become more acute. For example, the Inter-American Economic and Social Council report cited above estimated rates of growth required to maintain constant the 1970 level of open unemployment for nineteen countries. These estimates ranged from 4.1 percent for Venezuela to 9.2—7.2 percent for Costa Rica and Honduras. For the nineteen countries as a whole, an average rate of growth of 7.2 percent was required. This compares with an actual rate of growth achieved during the decade of 1960—69 of 4.7 percent. While the rate of growth during the early years of this decade, through 1974, on average, met the estimated required rate of 7.2 percent, only about half of the countries either exceeded or approximated their individual target rates of growth. Since 1974, and through 1978, the rate of growth in GDP has fallen sharply throughout the hemisphere. For the period 1974—78, the average rate of growth for nineteen countries (which exclude the English-speaking countries of the Caribbean) has been estimated at only 4.1 percent per annum. Given a continuing high rate of growth in the labor force, recent growth rates of GDP are not likely to have permitted significant improvements in conditions of employment and may even have led to a deterioration in these in some countries.

While employment conditions may have undergone some deterioration during these very recent years, references to a deteriorating trend antedate this economic slowdown. Moreover, such references are applied with similar frequencies to countries with high rates of sustained growth as well as to those with low rates. One of the notable characteristics of most estimates of the extent of the employment problem, however, is a weakness in their empirical foundations. A deterioration is not shown to have occurred on the basis of measured labor market phenomena, but is presumed to follow from the application of rather mechanistic formulas at a highly macroeconomic level. Whether the conclusions yielded by the latter are supported by actual labor
Market data has not really been subjected to empirical testing. In spite of this, there is apparent widespread readiness to accept the pessimistic conclusions about employment conditions as being an accurate reflection of reality.

An additional observation can be offered about the state of opinion regarding the conditions of employment and trends therein. While there is virtual unanimity about the precariousness of employment conditions of a substantial proportion of the labor force in developing countries and about the desirability of measures to promote the expansion of employment, there is nothing approaching unanimity in the appraisals of the precise size of the problem. Evaluations of past trends in employment conditions or estimates of the "employment gap," or of the extent of underemployment at a given moment, vary widely depending on the nature of the estimating procedure and the assumptions underlying it. An example of the size such differences can assume is provided by the contrast between Dr. Saul Trejo's estimate of underemployment in Mexico (52 percent of the labor force) and that of PREALC (25.4 percent), cited in the text above and in note 4.

It is not difficult to explain the absence of agreement on the size of the employment problem or the widespread acceptance of the pessimistic evaluations of labor market conditions. Both derive from the absence of a well-developed body of labor market information that could provide a test of conclusions derived from various deductive models. Unfortunately, labor market statistics historically have been ranked among the least developed bodies of economic data available in developing countries generally. Only recently have serious steps been taken in some countries to improve the coverage and quality of such statistics. Even the best intentioned effort to improve labor market information, however, is faced with formidable conceptual and operational problems. Until these are overcome and a body of reliable data is accumulated over time, analyses of labor markets and employment conditions should be viewed with considerable caution.

This paper addresses some of the problems to be overcome in developing a reliable body of information on the subject of labor utilization. In addition, an attempt will be made to provide an empirical test of the prevailing view that employment conditions have been deteriorating in the past. As suggested above, the data base for assessing employment conditions is too fragile to support strong or definitive conclusions. At the very least, this exercise will provide an illustration of how different kinds of empirical information may be applied to infer the direction of changes in employment conditions that may have taken place. It
It is also hoped that it will serve to emphasize the desirability of exercising considerable care in the use of labor market information and in the evaluation of statements or conclusions regarding labor market phenomena.

II. MEASUREMENT PROBLEMS

In an abstract sense, the meaning of such terms as employment, unemployment, and underemployment may seem quite clear. In the more developed countries of the world, it is even possible to give these terms some operational meaning that makes them subject to measurement, though even there, some latitude exists in the way they can be defined. In the less developed countries, however, it is generally agreed that the conceptual problems of definition and measurement are much more difficult to overcome. The more tenuous attachment of many persons to the labor force, the importance of seasonal variations in employment, and the problem of determining the real labor force status of many who appear to be inactive all pose significant problems of definition and measurement. It should be emphasized that we are concerned with something more than a semantic problem. The appropriate public policy measures for responding to the employment problem will be quite different depending on the perception a government has of the precise nature of the problem. Let us consider some of the difficulties to be confronted.

First, how is the labor force to be defined? In developed economies, the labor force is generally taken to consist of those persons who either are at work or who are not at work but have taken positive action to find employment during a specified reference period, such as the week preceding that in which a survey of households is made. Since such economies are characterized by high labor force participation rates, are generally operating at close to full employment, and adjustments can be made for seasonal variations in the size of the labor force, the resulting measure of the labor force provides a reasonably accurate estimate of the number of persons in the labor force at a moment of time. Even in such economies, however, this measure does not represent a completely accurate measure of the quantity of manpower resources actually employed or potentially employable in productive activities. This follows from the general practice of measuring the labor force in terms of persons at work or available for work rather than in terms of the amount of time spent at work or that nonworkers have available for employment. Thus, in the measurement of the labor force equal weight is given to individuals working 15 or 60 hours per week, as well as to individuals seeking full- or part-time employment.
This last characteristic of labor force measures applies equally in developing economies. The problem of measurement is compounded, however, by other considerations. A common presumption of Latin American observers is that the measured labor force understates the actual size of the body of persons actually available for work. One of the notable features of labor force participation rates in Latin America is the low rates associated with women. To the extent that these low rates are the result of a belief that employment is not available, and that a search for employment would, therefore, be fruitless, many who are potentially part of the labor force will not be counted as such simply because they did not actively seek employment during the specified reference period. On the other hand, if the low female participation rates are the product of cultural factors that inhibit the employment of women outside the home, it cannot be said that the conventional labor force measure overlooks a body of unutilized labor resources. Unfortunately, to date, the true reasons underlying the low female participation rates have not been established. Furthermore, it may be noted that it would be difficult to determine the reasons; formidable problems of questionnaire construction and response interpretation would remain.

A related issue can be observed in the interpretation of the decline in the participation rates of young males that appears to have occurred over the past twenty years. Some observers have interpreted this decline as still another indication that the rate of employment creation has not been rapid enough and that many young people, desiring finding employment, have withdrawn from the process of job search and are thus not counted as part of the labor force, even though they are, in fact, available for productive employment. Again, it is difficult to pass judgment on this perception. Coinciding with the drop in labor force participation rates of teen-age males has been an increase in the proportion of this group attending school. Indeed, this increase in school attendance accounts for most of the decline in the participation rate. The question that remains to be answered is whether the increase in school attendance is simply a reflection of the absence of job opportunities and is, therefore, in a sense involuntary, or whether education is pursued as an investment in human capital and therefore reflects a voluntary withdrawal from the labor force. In the latter event, the decline in the measured rates of labor force participation of this group should not be interpreted as representing an increase in the extent of underutilized human resources.

The length of the reference period chosen can also prove to be a critical factor in determining the measured size of the labor force. To the extent that persons who
are available for work, but not employed, are convinced that an active job search would be fruitless, they are not likely to be constantly searching for employment. Therefore, the probability that they will have actively searched for employment during a reference period as short as a single week will be quite low. On the other hand, if the reference period within which one has actively sought employment is extended to three or six months, it may reasonably be expected that the number of persons who will be counted as active members of the labor force will be enlarged. The length of the reference period is of particular importance where employment is subject to a high degree of seasonality. Especially in economies with large rural sectors, the employed labor force expands and contracts markedly with seasonal variations in agricultural activity. Many of those who are actively employed during peak seasons either withdraw from the labor force or do not actively seek employment at other times of the year. Thus, the shorter the reference period, the greater will be the difference in the size of the labor force measured at different points over any year.

A further complication in developing countries is the role of unpaid family labor. While this appears to be a phenomenon less prevalent in Latin American than in other parts of the developing world, its magnitude is sufficiently large to be of concern. Generally, unpaid family workers are counted as part of the labor force if they are engaged in income-producing activity for some minimum amount of time per week, frequently 15 hours. A measurement problem arises, however, because of the difficulty of specifying which productive activities qualify for labor force status. Those activities that involve production for home consumption do not normally bestow labor force status on their performers, even if their product is one that normally would be purchased in developed countries, e.g., clothing. Only production for market does so. In developing countries, however, and particularly in agriculture, this distinction may be difficult to make accurately. In the subsistence sector, the allocation of time between home and market production can rarely be ascertained with any degree of accuracy. Thus, the distinction actually made will be arbitrary and may vary widely from one survey to another. As a practical matter, the measurement of this class of persons will be very sensitive to the way in which questions are asked and the amount of probing undertaken by the investigator. For example, rural women or children may view their participation in productive activity on the family plot as part of their household chores, even if the product is destined for market; thus, they may not consider themselves actively "employed." Unless care is taken to explore the nature of household members' activities, it
is easy to overlook persons who should be counted as part of the active labor force. These difficulties are compounded by the sporadic nature of participation by women and children in the various types of productive activity undertaken by the household. These difficulties of measurement probably account for the wide swings that can sometimes be noted from one census to another in the relative importance of unpaid family workers.

While the difficulties in measuring the labor force are substantial, they pale in comparison with those of measuring the degree of underutilization of available manpower resources. In developed countries, the rate of open employment is generally taken to provide a reasonable approximation of the body of idle labor resources available for employment. It is generally agreed that in developing countries this is not the case. Indeed, open unemployment is frequently viewed as only the tip of an iceberg of underutilized labor. Several reasons can be advanced to justify this view. In the first place, some unemployment escapes measurement for reasons stated above in the discussion of the labor force measurement problems. To the extent that persons who are available for employment do not actively seek it out of a conviction that no jobs exist, they will not be recorded as either part of the labor force or as unemployed. This is usually referred to as the "discouraged worker" phenomenon, and those in this category give rise to "hidden unemployment" (desempleo encubierto). While it may be accepted as existing, the true extent of such unemployment is difficult to measure accurately. One cannot accept uncritically the answers of respondents to questions about their availability for employment in order to establish their labor force status. Unless the terms of employment are specified or the individual demonstrates an active interest in searching for employment, a survey is likely to elicit an exaggerated estimate of hidden unemployment.

The major part of the underutilization of labor, however, is viewed as taking the form not of open or hidden unemployment, but of underemployment. Unfortunately, there is no single criterion according to which underemployment can be defined. Various commentators on labor markets resort to different concepts of underemployment, most of which are not subject to empirical measurement. The clearest form of underemployment is the employment of workers on a part-time basis when they are available and desirous of "full-time" employment. This is the form of underemployment that comes closest to being measurable. The simplest estimate is derived by dividing the employed labor force between those workers employed less than some specified number of hours per week and those employed for more. The dividing line is quite arbitrary, but is ordinarily chosen at a level that approximates the customary
length of the work week. Unless the labor force members working fewer than the specified number of hours have been specifically asked about their satisfaction with the extent of their present employment, however, many may be arbitrarily classified as underemployed when, in fact, they choose to work on only a part-time basis. Conversely, there will always be some who work more than the standard work week, but who are desirous of still longer hours and who, by definition, therefore, are also underemployed, even though they may not be considered as forming part of the "employment problem." Underemployment may also be defined in other terms according to the number of days, weeks, or months out of a year for which an individual is available for work but not actually working. But the longer the periods of lack of employment, such as those associated with seasonal employments, the more the phenomenon of underemployment blends into one of open or hidden unemployment, at least during specified times during the year.

Frequently, underemployment is defined in terms of some level of productivity, income, or class of employment. Those who are employed at levels below that specified are then considered underemployed regardless of the amount of time spent at work. For example, the previously mentioned estimate of underemployment in Mexico made by Dr. Trejo was based on the proportion of the labor force employed in combination with an amount of capital less than the average capital-labor ratio, and, therefore, presumed to be employed at "low" levels of productivity.12 Others choose some income level, commonly that which would be yielded by full-time employment at the legal minimum wage, as the dividing line. Still others may classify as underemployed all those considered to be "marginally" employed in the "informal" sector; classic examples are street vendors, cuidadores de autos, bootblacks, and so forth. What all such definitions have in common is their complete arbitrariness. There exists no single, generally accepted standard for conceptual purposes. As a result, estimates of the extent of underemployment in any country will be subject to wide variation.

Finally, underemployment is taken to include those who are employed in occupations that do not make full use of the skills or human capital an individual may possess. A university graduate employed as a cab driver would represent such a case of underutilization of labor. The presumption is made that the actual occupation does not reflect a preferred choice of the individual occupying it, but a "failure" of the labor market to create a sufficient number of preferred employment opportunities. It is also implicitly presumed that such an individual has all the other noneducational characteristics that would qualify him for employment in a "preferred" occupation.
and that his educational record represents an accurate reflection of possession of the formal skills normally associated with any given level of schooling.

While these various conceptualizations of underemployment may be suggestive of some of the reasons underlying the underutilization of labor resources and the poverty of many, they are not really amenable to measurement, nor are they likely to be very useful as bases for formulation of public policy measures. One of the measurement problems derives from the very arbitrariness of the criteria employed in defining underemployment. Since no single objective standard exists for defining it, the incidence of underemployment can be increased or reduced simply by varying the standard. The absence of an objective standard poses other difficulties as well. Consider the definition of underemployment attributed to Dr. Trejo. Implicit in that definition is that if everyone employed with less than the average amount of capital per worker could be provided with an amount sufficient to raise them to the average, underemployment would disappear. In fact, the consistent application of this criterion would lead to an increase in the amount of underemployment following such a "corrective" measure, for by increasing the capital-labor ratio among the currently underemployed, the average capital-labor ratio in the economy as a whole will also be increased, leaving more workers below the new average. In short, such a criterion assures that no economy in the world will be without at least half of its labor force "underemployed." Obviously, the operational usefulness of such a criterion is extremely limited.

Also of limited usefulness for public policy purposes are those estimates of underemployment that adopt an income criterion. To define underemployment by reference to those with incomes or earnings below some arbitrary level simply serves to bestow a new name on one of the distinguishing characteristics of less developed countries, that of the existence of extreme poverty. Renaming poverty as underemployment does not explain the cause of poverty or carry with it any unique prescription for its correction. To be sure, the reduction of poverty should be one of the principal objectives of a development strategy. The conceptualization of the poverty problem in labor force terms, however, would not appear to be a fruitful approach to an amelioration. Since the causes of poverty are numerous and the possible remedies equally numerous, to think in narrow labor force or employment terms may serve to constrict the framework within which solutions are to be sought.

The difficulties of developing operational concepts of underemployment that are subject to measurement can be illustrated by the sometimes wide divergence between
casual perceptions of underutilization of labor and findings of empirical studies of the use of time of low income workers. The agricultural sector is commonly assumed to be a repository of a large surplus of underemployed labor. In fact, formal models of developing economies have been evolved that take as their initial premise the existence of a substantial number of rural workers whose marginal product is zero, that is, workers who could be withdrawn from employment in agriculture without affecting the level of output. Careful empirical studies of agriculture throughout the world now have led to the conclusion that the withdrawal of labor from agriculture would indeed affect the level of output unless simultaneous measures are taken to introduce technological changes that reduce the quantity of labor required. ¹³

Nevertheless, even though the marginal product of rural labor can be shown not to be zero, this does not necessarily undermine the conviction that the rural labor force suffers widely from underemployment. Estimates of the amount of underemployment are generally derived by first estimating the number of mandays that would be required to produce the current output of the sector under prevailing technological conditions for each crop on different sized farm units. The available labor supply is then estimated in terms of mandays from population census data; the labor force engaged in agriculture is multiplied by the number of days in a normal full work year. The degree of underutilization or underemployment of the labor force is given by the difference between these two values expressed as a proportion of the available number of days. This class of estimating procedures has been applied to Guatemala for the years around 1970. Depending on the definition of the normal manyear employed, estimates of the proportion of available labor actually utilized in the agricultural sector range from 48 to 70 percent. As might be expected, underutilization was found to be inversely related to the size of the farm unit. ¹⁴ A reasonable implication that might be drawn from these estimates is that a substantial body of manpower resources, representing from 30 to 52 percent of the available labor time of the studied agricultural labor force, would be available for other productive purposes. In fact, this may not be the case.

In contrast to these estimates is one prepared by the Comité Interamericano de Desarrollo Agrícola (CIDA) for the middle 1960s. Once all of the various tasks and obligations of a typical minifundista were taken into account—including production both for market and home production (gathering and hauling firewood, carrying goods to market and selling them, wage labor, handicraft activities, etc.), as well as community services—
it was found that only 13 percent of his time was unoccupied. Indeed, an unexpected finding was that the highland mini-fundistas who would ordinarily be considered "underemployed" actually hired outside workers for up to 35 percent of the labor time required on their plots. These sharp differences among the estimates of labor underutilization serve to underscore the difficult conceptual and measurement problems inherent in the estimation process. Thus, such estimates should always be viewed carefully before their true significance can be determined.

Compounding the conceptual problem of defining the labor force and its status is a dearth of reliable statistical information. Only a small number of developing countries regularly conduct carefully designed and executed household surveys of the labor force, such as would permit informed judgments to be reached about the behavior of the labor force over time. Even the censuses of population, which represent the most complete efforts of enumeration of the labor force, frequently fail to provide an adequate basis for evaluating changes over time. Not only do successive censuses adopt different conceptual or definitional bases for measuring and classifying the labor force, changes that make comparisons over time difficult if not impossible, they also sometimes contain substantial errors of enumeration. It is not unusual to find the usefulness of census data reduced by a significant underenumeration of certain population groups. The execution of any comprehensive or sample enumeration of households always presents a great challenge in developing countries. The net effect of these sources of difficulty--the conceptualization of labor force status, the accurate ascertainment of each person's status, and the effective enumeration of the population--is to give rise to sharp differences in labor force measures derived from different survey instruments (e.g., censuses, household sample surveys, etc.), as well as from one survey period to another for any given instrument that do not seem to be related to seasonal or other obvious factors. Thus, single observations should be treated with care; whenever possible it would be preferable to reach judgments about the state of the labor market based on the examination of several observations.

Some of the difficulties that arise in the interpretation of available statistical data will be illustrated in the sections that follow. As indicated in the Introduction, I will undertake to evaluate the direction of change over time in employment conditions as a test of the hypothesis that these have been deteriorating over time. Section III discusses the criteria to be employed in this evaluation. Sections IV and V describe the data employed in this study and review the findings.
III. Criteria for Assessing Trends in Employment Conditions

In this section I define the criteria to be applied in the assessment of qualitative changes in employment and discuss the rationale underlying their selection. As will become apparent, the criteria selected are far from perfect or unambiguous indicators of change. Their principal virtue lies in the availability of statistical measures of the criteria for a substantial number of countries.

A. The Distribution of Employment by Sector. As a first broad basis for evaluating employment changes, I observe changes that have occurred in the distribution of the labor force over the principal productive sectors--primary, secondary, and tertiary. For my purposes, I have included mining in the secondary sector since it is likely to exhibit employment conditions more akin to those of the secondary sector than to agriculture. Similarly, I include transportation and public utility industries in the secondary rather than in the tertiary. Since the agricultural sector is universally acknowledged to exhibit the lowest incomes of any sector, it is presumed that transfer of labor from agriculture to the other sectors, or a faster relative growth of the latter, can be interpreted as an improvement in the average employment situation and living standards of the employed population. To be sure, this presumption is based on differences in average wages or incomes among sectors, while the interpretation of a shifting employment structure depends on wage changes at the margin. That is, an improvement in the quality of employment requires that new accessions to the secondary and tertiary sectors yield higher incomes than those obtainable in agriculture.

While exhaustive evidence that this is the case is not available, what there is suggests that this condition is usually satisfied. An extensive review of the literature on migration supports this expectation. Studies of rural-urban migration in developing countries have compared incomes earned in the year before the shift with those earned in the following year. In settings as varied as Taiwan, Kenya, and Brazil, income gains, some of them very substantial, were reported to predominate. Furthermore, integration of migrants into the urban labor market is surprisingly rapid; the vast majority appear to find jobs in short order. Nor are migrants limited to largely marginal employments, for several of the studies reported findings that the average incomes of migrants are similar to those of urban natives once adjustments for personal characteristics are made. Finally, the unemployment rates among migrants also compare favorably with those of natives. All of these
findings are consistent with an expectation that most rural migrants to the city succeed in raising their incomes.

Pessimistic views of the trend in the quality of employment frequently are based on the observed expansion of employment in the tertiary sector at a rate that exceeds that in the secondary sector. The principal growth is held to occur in the so-called "informal" part of that sector, which absorbs and harbors large numbers of workers who cannot be accommodated in the high-wage modern, or "formal," sector. Since employments in the informal sector are viewed as "marginal," or characterized by very low productivities, incomes are also believed to be very low. It is sometimes implied that income conditions in the urban informal sector are even worse than they are in agriculture.

While this pessimistic view of the significance of the growth in tertiary sector employment is widely shared, it is possible to point to the theoretical as well as empirical justifications for a more sanguine evaluation of this development. In a theoretical dimension, Joseph Ramos has offered a model of the labor market that would produce a structure of employment in the course of development similar to that which has been emerging in Latin America. This model explains the relative decline in agricultural employment and a higher rate of growth in tertiary sector employment relative to secondary in terms of changing demand patterns in the course of development, increasing availabilities of skilled labor relative to unskilled, different elasticities of factor substitution among sectors, and different rates of technological change among sectors. The decline in agriculture is the result of both a slow rate of increase in demand for food as incomes rise (Engel's law) and the ease of substitution of capital for labor, the latter having been aided by the increased supply of skilled labor and its cheapening relative to unskilled labor. This last factor also held to account for the lag of employment behind output in the industrial sector. Furthermore, technological change has been rapid there, raising output per worker and thus necessitating fewer workers to produce any given level of output. In the tertiary sector, the possibilities of substitution of capital for labor are considered to be more limited than in either of the other two sectors, and the rate of technological change is held to be slower. In the face of a structure of demand in which services maintain a fairly constant proportion of national income, it follows that an increase in output of the tertiary sector over time will require a faster rate of employment growth than in the other sectors, particularly once the country has passed through the initial stages of accelerated industrial development.
There is empirical evidence as well that would tend to modify the pessimistic evaluation of tertiary sector employment growth even if we restrict ourselves to consider only the growth of the informal part of this sector. Unfortunately, careful research into the operation of informal labor markets is still at an early stage of development, so we know far less than we need in order to arrive at an informed judgment. The research findings that are available, however, seem to indicate that integration into the informal sector does not necessarily imply a greatly inferior income position relative to that prevailing in all alternative employments. Comparisons of earnings distributions in the informal and formal sectors reveal some overlap, though average earnings are certainly lower and the degree of dispersion is greater in the former. The significance of these differences in earnings is reduced, in some countries to a significant extent, once differences in the personal characteristics (age, sex, and educational level) of the participants in the two sectors and in the incidence of part-time employment (much of it voluntary) among secondary workers are taken into account. In any event, even if informal sector earnings lie below those in the urban formal sector, they still appear to offer a substantial gain over incomes in agriculture. Thus, it would seem reasonable to consider a gain in nonagricultural employment, relative to that in agriculture, a change in the direction of an improvement in the average quality of employment.

B. Occupational Distribution of the Labor Force. As noted above, there are certain categories of employment that are widely considered to be characterized by very low productivities and incomes. Those who believe that employment conditions have been deteriorating identify the "explosive" growth of such marginal employments as the underlying cause of deterioration. In this section, we examine the rates of growth of various occupational groups including the two, sales and service, believed responsible for the decline in the quality of employment. This comparison will provide a basis for determining whether the growth in these latter groups has been inordinantly greater than that in the "preferred" classes of employment. To be sure, both the trade and service sectors, but particularly the latter, contain a wide range of employments characterized by equally wide differences in skill requirements and income levels. Unfortunately, the secondary data sources most readily available do not permit me to break out the employment groups within these sectors according to these qualitative characteristics. For a reduced number of countries, however, it is possible to separate out subgroups within these sectors in a way that may permit the identification of those
in a particularly low-productivity status. This basis of classification is considered next.

A third basis for assessing qualitative changes may be found in the employment status of labor force participation. The critical status categories are those of unpaid family workers and the self-employed. These are frequently viewed as representing employments of last resort, alternatives that reflect limited opportunities in a preferred wage-earning capacity. Thus, a rapid growth in the proportions of the employed labor force in these statuses would lead many observers to conclude that the quality of employment has deteriorated; on the other hand, an observed decline in these proportions might imply an improvement in the average quality of employment.

It should be noted, however, that, especially in the case of unpaid family workers, the problems of enumeration are formidable. This is particularly the case in rural areas and applies more frequently to the enumeration of women; the possibility of significant underenumeration in this case is widely recognized. Thus, while the measures of absolute employment levels in this status may not be reliable, one can only hope that the character and degree of measurement biases remain constant in the survey instruments used in the terminal time periods so that the "measured" changes at least represent an accurate reflection of the direction of change and stand in a constant relationship to the actual change.

While enumeration problems exist for these categories in nonagricultural employments, they are likely to be less severe than those encountered in rural employments. Therefore, I disaggregate by employment status the changes that have occurred in the sales and service occupational categories, the two generally thought to harbor the bulk of urban disguised unemployment or underemployment. Unfortunately, however, data with the required degrees disaggregation were available for a somewhat reduced number of countries.

D. Unemployment. Of all the variables that can characterize conditions in the labor markets of developed countries, measures of open unemployment are deemed to provide the most useful summary indicator of employment conditions. Low rates of unemployment can be interpreted as demonstrating the capacity of the labor market to satisfy potential labor force participants' preferences for employment over nonparticipation. In addition, relatively full employment creates conditions favorable for improvements in the terms on which employments are offered. Unfortunately, in the case of the less developed countries, there is widespread agreement that open unemployment rates do not provide as useful an indication of the extent to which labor resources
are unutilized. The surveyed characteristics of the unemployed suggest that unemployment is a "luxury" that can be afforded only by the more privileged groups in the society. The poor, lacking the resources to maintain themselves during a prolonged period of unemployment, must perforce seek and accept any source of employment, however low the returns. While I recognize the limited value of an unemployment rate for measuring accurately the absolute level of underutilization of the measured or potential labor force, it is more difficult to reject the notion that changes in the rate of unemployment do indicate the direction of change in labor market conditions. For example, if the quality of employment opportunities is deteriorating on average, the number of available employments in the categories preferred by job seekers who can afford to wait should also decline in relation to the number of aspirants, with a resulting increase in the open unemployment rate.

While measures of unemployment might, therefore, be considered useful indicators of labor market conditions over time, they are not frequently available in a form that might be deemed to be trustworthy. Censuses of population usually contain measures of unemployment, but one hesitates to use these as bases for conclusions about the direction of change. Not only do the concepts of unemployment applied frequently change from one census to another, but reliance on only two observations does not permit abstraction from cyclical or seasonal factors that may color them. The ideal source of measures of unemployment is systematic labor force surveys. These offer greater hope of consistency over time in the definition of the unemployed and in the techniques employed in data collection. Thus, even though only a small number of countries conduct such surveys, I will limit myself to these.

IV. THE DATA

The principal source of data employed in this study is the ILO's Yearbook of Labour Statistics. The data appearing there are compiled from national sources, which vary in nature. Population censuses constitute a frequent and recurring source for most countries. In addition, intercensal data appear for some countries based on national household surveys or "official estimates." It appears that the concepts employed in labor force measurement in household surveys are generally different from those employed in population censuses, for the results are frequently at great variance with those of the census. Alternatively, it may be that the enumeration procedures are qualitatively different. For whatever reason, household surveys tend to yield a significantly larger labor
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force than do the censuses. Since the two instruments are not usually comparable, we have tried to limit our observations of change to the data originating in the same type of survey instrument. Thus, for all of the countries included in this review, with the exceptions of Jamaica and Trinidad and Tobago, I have limited myself to data contained in population census report. In the case of the two exceptions, I have resorted to 1960 census data and data for 1976 and 1975 respectively, drawn from labor force sample surveys as reported by the ILO.

For most of the countries, the period over which employment changes are assessed is the latest intercensal period. Thus comparisons are largely based on conditions prevailing at the beginning of the 1970s with those of approximately a decade earlier. Where serious deficiencies were known to exist in particular census reports, as in the case of the 1960 censuses of Mexico and Brazil, 1950 censuses were used for the earlier terminal data. In two cases, Colombia and Bolivia, the most recent census tabulations reported by the ILO are based on only a small sample of returns and yield a most unlikely pattern of intercensal change; they have, therefore, been omitted. In the case of other countries for which the ILO reported preliminary results based only on census samples, I have resorted to the final census reports whenever these have been available.

As indicated above, the interpretation of census data is not without its problems. Significant changes occur in the way particular labor force groups are treated from one census to another. Some groups, such as persons seeking employment for the first time, may be excluded from one report or tabulation and included in another. The treatment of the armed forces varies considerably from one country to another, as well as from one census to another in particular countries. Especially difficult problems of interpretation arise when sharp changes occur from one census to another in the proportion of the labor force that cannot be classified by occupation or sector of employment and that is assigned to a residual category of "not elsewhere classified." I have tried to minimize the distortive effect of large variations whenever possible by limiting the measurement of changes to those components only present in both years.

V. THE FINDINGS

A. Distribution of the Labor Force by Sector. Table 1 presents rates of change in the growth of the labor force by major sector for nineteen Latin American and Caribbean countries. A universal characteristic of the changing
Table 1. Annual Percentage Rates of Change in Total Labor Force by Sector of Employment for Selected Latin American and Caribbean Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Per Capita Income Annual Rates of Change 1960-72</th>
<th>Labor Force - Annual Rates of Change Sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Years</td>
</tr>
<tr>
<td>Argentina</td>
<td>2.7</td>
<td>1960-70</td>
</tr>
<tr>
<td>Brazil</td>
<td>3.2</td>
<td>1950-70</td>
</tr>
<tr>
<td>Chile</td>
<td>2.1</td>
<td>1960-70</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>3.1</td>
<td>1963-73</td>
</tr>
<tr>
<td>Cuba</td>
<td>-1.2</td>
<td>1953-70</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>2.4</td>
<td>1960-70</td>
</tr>
<tr>
<td>Ecuador</td>
<td>2.3</td>
<td>1962-74</td>
</tr>
<tr>
<td>El Salvador</td>
<td>2.2</td>
<td>1961-71</td>
</tr>
<tr>
<td>Guatemala</td>
<td>2.2</td>
<td>1964-73</td>
</tr>
<tr>
<td>Haiti</td>
<td>0.3</td>
<td>1950-71</td>
</tr>
<tr>
<td>Honduras</td>
<td>1.5</td>
<td>1961-74</td>
</tr>
<tr>
<td>Jamaica</td>
<td>1.5</td>
<td>1960-76</td>
</tr>
<tr>
<td>Mexico</td>
<td>3.3</td>
<td>1950-70</td>
</tr>
<tr>
<td>Panama</td>
<td>4.5</td>
<td>1960-70</td>
</tr>
<tr>
<td>Paraguay</td>
<td>1.5</td>
<td>1962-72</td>
</tr>
<tr>
<td>Peru</td>
<td>2.2</td>
<td>1961-72</td>
</tr>
<tr>
<td>Trinidad-Tobago</td>
<td>2.8</td>
<td>1960-75</td>
</tr>
<tr>
<td>Uruguay</td>
<td>-0.1</td>
<td>1963-75</td>
</tr>
<tr>
<td>Venezuela</td>
<td>1.8</td>
<td>1961-71</td>
</tr>
<tr>
<td>Arithmetic Average Rate of Change</td>
<td>2.28</td>
<td>0.38</td>
</tr>
</tbody>
</table>

Notes:
1. The superscripts in this column refer to the components of the "Other" category as follows:
   a. Workers unclassified by sector
   b. Labor force members seeking their first employment
   c. Armed forces
   d. 1973 "Other" category is not comparable with that for 1964 as a result of the inclusion
      in the former of persons seeking their first employment in the latter.
   e. Category is not comparable in the two years

2. Rates of sectoral change are distorted by an apparent change in the treatment of persons 5-9
   years of age in the 1971 tabulation. Some 380,000 are included in the "not elsewhere classified"
   category whereas they were apparently assigned to sectors of employment in 1950. Thus, if most
   of these children were employed in agriculture, that sector's employment would have recorded an
   increase rather than a decline.

3. Primary sector employment includes mining.

Sources: International Labour Office, Yearbook of Labour Statistics, Table 2A, various issues unless other-
wise indicated.
Paraguay: Direccion General de Estadistica y Censos, Censo de Poblacion y Vivienda de 1962.
sectoral employment distributions among these countries is the decline in the relative importance of the agricultural sector as a source of employment. In no country did the rate of increase in agricultural employment exceed the rate of growth in the labor force as a whole. On the other hand, only a handful of countries reported an absolute decline in the numbers employed in agriculture, and these included mostly countries with relatively high levels of per capita incomes: Argentina, Chile, Trinidad-Tobago, Uruguay, and Venezuela. Two low-income countries, Guatemala and Haiti, also reported declines, but I consider these suspect.

Most of the countries reported a rate of growth in secondary sector employment that was a multiple of that in agriculture. In only one country, El Salvador, was industrial employment reported to have declined in importance relative to agricultural; in view of the considerable growth of labor-intensive manufacturing activity during the 1960s and data drawn from other sources, this appears to be a doubtful development. In one other country, Jamaica, employment growth in the secondary sector was only marginally greater than that in the primary sector, which for this country includes mining. One country, Uruguay, was the only one to report an absolute decline in the secondary sector labor force; in spite of this, the sector gained in relative importance since the absolute decline in agriculture was even greater.

Secondary sector employment gained relative not only to agriculture, but also to total employment. In twelve countries, or almost two-thirds of the total, secondary sector employment expanded more rapidly than the total labor force. In other words, in these twelve, secondary sector employment increased as a proportion of the total in the intercensal period.

As indicated earlier, tertiary employment is frequently a source of concern of students of economic development since it is viewed as performing an absorptive function, providing a haven for those unable to obtain employment in the higher productivity secondary sector. It is not uncommon to see references to "explosive" growth of marginal employments in the tertiary sector as "evidence" of the failure of development to provide adequate numbers of "high-productivity" employments. An examination of the data for the nineteen countries shows that tertiary sector employment did increase faster than that in secondary employment. The arithmetic average rate of growth of the former was approximately 1.5 times greater. The significance of this faster rate of growth is difficult to determine, however, in the absence of additional information.

Clearly, this increase in tertiary sector employment cannot be attributed solely to the mushrooming of "marginal"
activities. In fact, the tertiary sector is a very heterogeneous one, which has seen rapid growth in many high-productivity/income activities. In most countries, government, professional services of various types, and the financial subsector have all enjoyed greater-than-average rates of growth, and have contributed to the high overall rate of growth in sector employment. Had the rapid growth in tertiary sector employment been concentrated largely in "marginal" activities, it would be reasonable to expect that sector productivity would have declined over the decade. Yet, tertiary sector output per employed person is reported to have increased by approximately 10 percent on average for Latin America between 1960 and 1969.28

If the growth of tertiary employment were the product of the failure of secondary sector employment to expand rapidly enough, then one could reasonably expect that the former would have risen most rapidly in those countries in which secondary sector employment grew most slowly. That is, we would expect to find an inverse relationship between the rates of growth of the two sectors' employment levels. In fact, the data do not bear out this expectation. The simple correlation coefficient instead proves to be positive, though statistically insignificant, at .33.

If the Ramos model discussed above were to provide a better explanation of the expansion of tertiary sector employment, it would follow that its rate of growth would be a function of the rate of growth of the overall economy. As a simple test of this relationship, I have correlated the annual rate of growth in per capita real income between 1960 and 1972 with the intercensal annual rate of growth in tertiary sector employment across countries. The result is a positive correlation coefficient of .57, significant at the 2 percent level. This suggests that demand factors may have played a significant role in stimulating the expansion of tertiary employment. Given the labor supply and technological conditions postulated by Ramos, rapid increases in aggregate demand would produce a pattern of growth similar to that observed here.

It would be rash to draw any strong conclusions about the direction of change in the quality of employment on the basis of the aggregated data considered thus far. These data, however, would not seem to provide much obvious support for the hypothesis that the quality of employment has deteriorated. To the extent that there has occurred a shift from agricultural employments to other sectors, it is quite possible that a growing segment of the working population has improved its employment and income positions. Let us now consider another basis for disaggregating the labor force, that by occupational groups.
B. Occupational Distribution of the Labor Force. Table 2 presents the changes recorded in employment by occupational category for seventeen countries. By and large, these confirm the tendencies observed in the sector employment changes. Agricultural workers declined as a proportion of the total labor force in every included country. In seven of the seventeen countries, absolute declines were recorded in this category. The fastest growing occupational group, on average for all countries, was the white-collar group, composed of professional, managerial, and clerical workers. Its growth rate was twice that of the labor force as a whole. It was the fastest growing group in almost half of the countries, eight in number, and was the second fastest in an additional three. Since this category is composed of relatively high-wage workers, its growth must be viewed as making a positive contribution to the average overall quality of employment.

The two occupational groups usually thought to serve an absorptive function for labor that cannot find employment in a preferred wage status are the sales and personal service categories. These occupational groupings should provide a better reflection of the growth of "marginal" employments than did the tertiary sector employment changes recorded in Table 1 since the former omit most of the highly skilled occupational groups employed in the sector (e.g., most government workers, professionals, and so forth). As can be seen from the table, the data do not suggest that an explosive increase occurred in these categories in most countries. To be sure, the growth of the sales category was the second highest, but the service category lagged behind the growth of the production occupations. Furthermore, note the large dispersion in the rates of growth among countries. One cannot find a consistent relationship between the rate of growth in the sales group with that in the service within countries; fast growth in one is not usually accompanied by fast growth in the other. The growth rates of both sales and service occupations surpass that in production in only five countries. A sixth country, Cuba, reports a rate of growth in the sales and services categories together, which likewise exceeds that in production; indeed, it is the fastest growing category of the five considered here. If one compares the growth of these two occupational groups with the growth of the entire nonagricultural labor force, only Honduras experienced rates of growth in both groups in excess of the total. In six countries, both groups declined in relative importance, and, in two others, one group did not show a significant relative change, while the other declined. In the five remaining countries, one of these occupational groups increased, while the other declined in relative importance.

The third most rapid rate of growth, on average, was reported for the production category. This includes craftsmen, artisans, and laborers in mining, manufacturing, construction, transportation, and communications activities. Unfortunately, the data as presented in the ILO Yearbook
Table 2. Annual Percentage Rates of Change in Occupational Class of Employment for Selected Latin American Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Years</th>
<th>Total</th>
<th>Professional, Managerial, and Clerical</th>
<th>Sales</th>
<th>Services</th>
<th>Mining, Artisans, Production Workers, Transport and Construction Workers</th>
<th>Agriculture</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>1960-70</td>
<td>1.96</td>
<td>2.38</td>
<td>4.27</td>
<td>4.93</td>
<td>1.58</td>
<td>-0.48</td>
<td>-1.36</td>
</tr>
<tr>
<td>Brazil</td>
<td>1950-70</td>
<td>2.73</td>
<td>4.71</td>
<td>4.06</td>
<td>4.80</td>
<td>3.36</td>
<td>1.41</td>
<td>4.34</td>
</tr>
<tr>
<td>Chile</td>
<td>1960-70</td>
<td>0.88</td>
<td>4.03</td>
<td>2.45</td>
<td>-0.57</td>
<td>1.27</td>
<td>-1.76</td>
<td></td>
</tr>
<tr>
<td>Costa Rica</td>
<td>1963-73</td>
<td>3.85</td>
<td>7.06</td>
<td>3.90</td>
<td>6.30</td>
<td>6.13</td>
<td>1.12</td>
<td>3.79</td>
</tr>
<tr>
<td>Cuba</td>
<td>1953-70</td>
<td>1.71</td>
<td>2.26</td>
<td></td>
<td></td>
<td>2.91</td>
<td>-0.77</td>
<td></td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>1960-70</td>
<td>3.97</td>
<td>0.27</td>
<td>3.07</td>
<td>2.15</td>
<td>7.18</td>
<td>0.89</td>
<td></td>
</tr>
<tr>
<td>Ecuador</td>
<td>1962-74</td>
<td>2.37</td>
<td>5.66</td>
<td>4.00</td>
<td>2.40</td>
<td>2.99</td>
<td>0.91</td>
<td>6.42</td>
</tr>
<tr>
<td>El Salvador</td>
<td>1961-71</td>
<td>3.24</td>
<td>5.55</td>
<td>5.90</td>
<td>3.88</td>
<td>3.67</td>
<td>2.66</td>
<td></td>
</tr>
<tr>
<td>Guatemala</td>
<td>1964-73</td>
<td>1.40</td>
<td>3.51</td>
<td>6.06</td>
<td>4.73</td>
<td>3.26</td>
<td>-0.09</td>
<td>-53.0</td>
</tr>
<tr>
<td>Honduras</td>
<td>1961-74</td>
<td>2.29</td>
<td>6.66</td>
<td>5.31</td>
<td>0.85</td>
<td>5.54</td>
<td>1.48</td>
<td>-9.20</td>
</tr>
<tr>
<td>Jamaica</td>
<td>1960-74</td>
<td>1.98</td>
<td>1.32</td>
<td>5.37</td>
<td>2.21</td>
<td>2.57</td>
<td>0.92</td>
<td>-6.42</td>
</tr>
<tr>
<td>Mexico</td>
<td>1950-70</td>
<td>2.27</td>
<td>5.80</td>
<td>2.03</td>
<td>4.15</td>
<td>3.64</td>
<td>0.14</td>
<td></td>
</tr>
<tr>
<td>Panama</td>
<td>1960-70</td>
<td>3.78</td>
<td>6.69</td>
<td>7.24</td>
<td>6.69</td>
<td>7.22</td>
<td>1.94</td>
<td>-1.11</td>
</tr>
<tr>
<td>Paraguay</td>
<td>1962-72</td>
<td>2.18</td>
<td>3.77</td>
<td>3.82</td>
<td>6.45</td>
<td>2.75</td>
<td>1.39</td>
<td>-6.35</td>
</tr>
<tr>
<td>Peru</td>
<td>1961-71</td>
<td>1.97</td>
<td>6.48</td>
<td>3.66</td>
<td>1.87</td>
<td>3.03</td>
<td>0.23</td>
<td>3.64</td>
</tr>
<tr>
<td>Trinidad-Tobago</td>
<td>1960-75</td>
<td>2.30</td>
<td>2.84</td>
<td>4.21</td>
<td>1.54</td>
<td>3.49</td>
<td>-0.96</td>
<td></td>
</tr>
<tr>
<td>Uruguay</td>
<td>1963-75</td>
<td>0.66</td>
<td>0.43</td>
<td>0.16</td>
<td>0.61</td>
<td>0.31</td>
<td>-0.39</td>
<td>5.07</td>
</tr>
<tr>
<td>Venezuela</td>
<td>1961-71</td>
<td>2.50</td>
<td>5.80</td>
<td>2.95</td>
<td>3.18</td>
<td>2.12</td>
<td>-2.16</td>
<td>12.85</td>
</tr>
<tr>
<td>Arithmetic Average</td>
<td></td>
<td>2.28</td>
<td>4.62</td>
<td>4.08</td>
<td>3.36</td>
<td>3.50</td>
<td>0.36</td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1. The superscripts in this column refer to the components of the "Other" category as follows:
   a. Workers unclassified by occupation.
   b. Labor force members seeking their first employment.
   c. Includes members of the armed forces.
   d. Changes in components of the category render it non-comparable in the terminal years.
2. In the calculation of these averages, the 4.14 percent rate of change for the two categories together was entered for each category in the case of Cuba.

Source: ILO, Yearbook of Labour Statistics, Table 28. For country references see sources listed in Table 1.
do not make possible the further breakdown of these data between employment in the organized and informal sectors. Presumably, increases in the former would be viewed as favorable for quality, while some doubt might be expressed about the implications for quality of growth in the latter. To the extent that increases in employment in the informal sector are at the expense of an even lower quality employment in agriculture, however, the former could imply an improvement in average quality. In any event, data presented in the next section do not suggest that informal sector employment has dominated the increase in this broad occupational group.

A concern that is often expressed with the distributions of workers by industrial or occupational categories is that they fail to reflect properly the growth of marginal activities. Workers in such activities are frequently difficult to classify by occupational or industrial category and are consigned to the group labeled "workers not classifiable by occupation (industry)." Thus, it is often believed that this latter unclassified category includes largely marginal workers in service and vending activities. If this is in fact the case, then a rapid growth in the unclassified group may simply disguise the actual growth in "absorptive" employment. An examination of the unclassified category of workers in Table 2, however, presents a rather mixed picture. For five countries, a rate of change in this category could not be derived because its composition differed in the two years, and it was not possible to isolate comparable components. In the twelve countries remaining, there is an even split between those reporting a decline in the size of this category and those reporting an increase. If it is true that the unclassified category is composed chiefly of marginal workers in sales and service activities, then, for the six countries with negative rates of growth in the category, the measured rates of increase in sales and service activities overstate the true increase. Among the six countries with nonnegative rates of change in the unclassified category, two, Brazil and Costa Rica, reported slower rates of growth than in the sales and service categories; thus, for these two as well, the measured increases in sales and service occupations would have been overstated. In only three countries, Ecuador, Uruguay, and Venezuela, did the growth of the unclassified category exceed that of both the sales and service categories; thus, for these three, one might suspect that the measured rates of growth in the last two groupings may be understated. The same might be true for Peru where the growth in the unclassified category is about equal to that of the sales group, but exceeds that of the service group.

To attribute all of the unclassified category to marginal types of activities, however, involves an assumption that is not likely to be too realistic. For example, the very large rate of increase in the unclassified category in
Venezuela led us to consult the original census publication to see whether it was possible to decompose the category. In so doing, we discovered that approximately one-fourth of those included in the 1971 census consisted of persons employed by government or private firms, employers, and foreign diplomats or other personnel attached to foreign missions. Of course, even if such adjustments permit the reduction of the number of unclassified workers who might be marginally employed, the undescribed remainder in the category still constitutes a sizable group. In the case of Venezuela, the growth of the unclassified category as a whole amounted to about 30 percent of the growth of the labor force over the intercensal period. In Uruguay, the growth in this category accounted for fully 60 percent of the growth in the labor force. On the other hand, the growth of this category in Ecuador and Peru was quite modest, accounting for 10 percent or less of the growth of the labor force. Generally speaking, however, even under unfavorable assumptions regarding the occupational composition of the unclassified workers, the resulting growth rates attributable to employments in the sales and service occupational groups do not add up to "explosive" increases in marginal employments for most countries. A further test of this possibility is undertaken in the following section.

C. Distribution of the Employed Labor Force by Employment Status. This section examines the changes that have occurred in the proportions of the labor force employed in either a self-employed or an unpaid-family-worker (UFW) capacity. As I have indicated above, these two statuses are frequently viewed as employments of last resort, as harborers of the disguised unemployed. A rapid increase in these might thus be interpreted as reflecting a failure of the economy to provide a sufficient number of new employments at levels of productivity and incomes that compare favorably with those in existing wage employments. In particular, an increase in both these categories within the secondary and tertiary sectors might create cause for concern. While a similar increase in the number of UFW in agriculture might be indicative of an inadequate absorptive capacity of the economy, the same need not be true in the case of the self-employed. An increase in the latter may actually represent an improvement within agriculture, e.g., if it is the result of a shift from an inferior status of casual labor.

Usable data on employment status for both terminal years are available for fifteen of the countries in our sample, though for some of these only limited sectoral or occupational breakdowns exist. It should also be noted that the number of UFW is likely to be subject to considerable errors in measurement, particularly in earlier censuses. Some of the large annual rates of increase recorded seem to be exaggerated and point to the possibility of considerable undercounting in earlier enumerations. Since informed judgments about the qualitative aspects of most enumerations are not available to me, I simply present the findings as
In the previous section I commented on the problems posed by large changes in the numbers of unclassified workers. Among the countries considered in this section, six reported large changes in that category. Therefore, I present the data for these countries in two ways. The first, labeled A in Table 3, presents the measured changes of workers who are classified by sector and status; it omits consideration of the unclassified workers. The second, labeled B, assumes that all of the unclassified workers are actually employed in the non-agricultural sector of the economy, and, therefore, are added to the measured employment in that sector in both terminal years. Most countries appear with a single entry labeled B. In the tabulations for these countries, the unclassified category was not large enough to introduce any significant change in rates of change or relative importance of the status; therefore, I added the unclassified to the measured employment in the non-agricultural sector. The review of changes in the employment status of the work force considers first the agricultural sector and then the nonagricultural and some of its components.

1. Agricultural Sector. As a point of departure, one should observe the range of differences in the relative importance of UFW in the agricultural labor forces of the included countries at the time of the most recent census. (Table 3) The proportion of UFW in the agricultural labor forces varies from 3.6 to 22.3 percent, with a majority of the countries falling within a 10-16 percent range. The proportions observed here are well below those that are found in the developing countries of Asia and Africa where 40 percent or more of the agricultural labor forces is composed of UFW. Not only is the proportion low in the Latin American countries, but it appears to be declining. Nine of the countries recorded absolute declines in the numbers in this status. One other, Honduras, recorded an absolute increase in UFW, but their relative importance within the sector labor force declined. Thus, two-thirds of the countries saw the relative importance of UFW decline in the intercensal period.

The absolute and relative importance of UFWs increased in five countries. Among these are two relatively prosperous countries, Argentina and Uruguay, and three of the poorer, El Salvador, Guatemala, and Ecuador. Given the favorable land-labor ratios of the two countries of the cone, this increase is not too disturbing, particularly since in both the increase was very slight and occurred within the context of a declining
Table 3. Annual Percentage Rates of Change in Employment by Status and Sector of Employment

<table>
<thead>
<tr>
<th>Country</th>
<th>Years</th>
<th>Rates of Change in Labor Force</th>
<th>Rates of Change in Self-employment</th>
<th>Proportion of Self-employed in Sector Labor Force</th>
<th>Rate of Change in Unpaid Family Workers</th>
<th>Proportion of UFW in Sector Labor Force</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>1960-70</td>
<td>1.96 -0.15 2.43</td>
<td>0.82 -1.17 1.83</td>
<td>33.2 20.8</td>
<td>3.80 0.66 10.41</td>
<td>11.8 1.2</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>1.96 -0.15 2.21</td>
<td>0.82 -1.17 1.48</td>
<td>33.2 20.0</td>
<td>3.80 0.66 9.92</td>
<td>11.8 1.7</td>
</tr>
<tr>
<td>Brazil</td>
<td>1950-70</td>
<td>2.73 1.41 4.15</td>
<td>3.25 3.13 3.05</td>
<td>54.8 18.6</td>
<td>-0.38 -0.22 -3.01</td>
<td>19.7 0.7</td>
</tr>
<tr>
<td>Chile</td>
<td>1960-70</td>
<td>0.88 -1.80 1.76</td>
<td>1.00 0.42 2.60</td>
<td>31.2 20.0</td>
<td>-4.05 -4.92 -1.21</td>
<td>5.8 0.5</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>1963-73</td>
<td>3.85 0.99 6.07</td>
<td>2.41 1.64 3.47</td>
<td>28.0 12.2</td>
<td>-1.29 -1.17 -1.44</td>
<td>15.0 1.2</td>
</tr>
<tr>
<td>Cuba</td>
<td>1953-70</td>
<td>1.71 -0.21 2.79</td>
<td>-3.44 0.00 -12.60</td>
<td>30.0 1.30</td>
<td>-4.69 -0.40 -21.90</td>
<td>4.30 --</td>
</tr>
<tr>
<td>Domin. Rep. A</td>
<td>1960-70</td>
<td>3.97 0.86 5.04</td>
<td>-0.05 -2.46 3.83</td>
<td>41.4 25.1</td>
<td>-2.28 -4.71 2.31</td>
<td>9.9 1.1</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>3.97 0.86 7.66</td>
<td>-0.05 -2.46 6.17</td>
<td>41.4 20.8</td>
<td>-2.28 -4.71 17.58</td>
<td>9.9 2.8</td>
</tr>
<tr>
<td>Ecuador</td>
<td>1962-74</td>
<td>2.37 0.94 3.67</td>
<td>1.42 0.40 2.65</td>
<td>46.7 32.5</td>
<td>4.69 4.88 2.13</td>
<td>16.1 2.2</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>2.37 0.94 3.69</td>
<td>1.42 0.40 3.02</td>
<td>46.7 31.1</td>
<td>4.69 4.88 3.63</td>
<td>16.1 2.4</td>
</tr>
<tr>
<td>El Salvador</td>
<td>1961-71</td>
<td>3.24 2.66 4.16</td>
<td>4.93 5.59 3.79</td>
<td>32.3 20.4</td>
<td>5.63 5.06 12.20</td>
<td>14.9 2.5</td>
</tr>
<tr>
<td>Guatemala</td>
<td>1964-73</td>
<td>1.40 -0.14 3.91</td>
<td>4.23 4.58 3.51</td>
<td>46.7 30.0</td>
<td>1.20 0.85 4.06</td>
<td>17.2 3.0</td>
</tr>
<tr>
<td>Honduras</td>
<td>1961-74</td>
<td>2.29 1.51 3.49</td>
<td>2.37 1.49 5.70</td>
<td>48.7 26.3</td>
<td>1.24 1.03 5.36</td>
<td>22.3 2.4</td>
</tr>
<tr>
<td>Mexico</td>
<td>1950-70</td>
<td>2.27 0.28 4.24</td>
<td>0.79 -1.00 3.33</td>
<td>40.7 24.5</td>
<td>-0.70 -2.39 3.23</td>
<td>16.3 2.9</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>2.27 0.28 4.20</td>
<td>0.79 -1.00 3.04</td>
<td>40.7 25.2</td>
<td>-0.70 -2.39 5.14</td>
<td>10.3 4.1</td>
</tr>
<tr>
<td>Panama</td>
<td>1960-70</td>
<td>3.78 1.90 5.18</td>
<td>4.33 3.50 6.90</td>
<td>68.0 16.4</td>
<td>-5.30 -5.77 0.91</td>
<td>11.3 0.8</td>
</tr>
<tr>
<td>Peru</td>
<td>1961-72</td>
<td>1.97 0.15 3.00</td>
<td>1.94 1.94 1.94</td>
<td>63.2 25.8</td>
<td>-3.72 -4.48 2.98</td>
<td>10.1 1.4</td>
</tr>
<tr>
<td>Uruguay</td>
<td>1963-75</td>
<td>0.66 -0.50 0.63</td>
<td>0.88 0.02 0.69</td>
<td>40.6 21.3</td>
<td>2.36 0.30 5.32</td>
<td>8.2 0.7</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>0.66 -0.50 1.00</td>
<td>0.88 0.02 1.54</td>
<td>40.6 22.4</td>
<td>2.36 0.30 6.29</td>
<td>8.2 0.9</td>
</tr>
<tr>
<td>Venezuela</td>
<td>1961-71</td>
<td>2.50 -2.15 2.95</td>
<td>1.71 0.20 1.94</td>
<td>68.5 23.5</td>
<td>-9.39 -13.80 7.11</td>
<td>3.6 0.8</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>2.50 -2.15 4.35</td>
<td>1.71 0.20 3.13</td>
<td>68.5 21.9</td>
<td>-9.39 -13.80 7.18</td>
<td>3.6 0.7</td>
</tr>
</tbody>
</table>

Notes:

1. Several countries appear listed twice. Countries so listed reported "large" changes in the number of workers in an unassigned status with respect to sector of employment. For both listings, A and B, the total labor force and agricultural sector employment data are the same. For the non-agricultural component, entries under A represent the rate of measured change in employment assigned to the non-agricultural secondary and tertiary sector. In B, the rate of change is computed on the assumption that all workers not assigned to a sector actually form part of the non-agricultural labor force. For purposes of calculating the total sectoral changes, we have limited ourselves to only those persons who are unclassified by sector wherever possible (i.e., excluded from this category persons seeking employment for the first time, the armed services, etc.).

2. Proportion in the sector labor force is for the most recent year.

3. Part of the greater growth of the non-agricultural labor forces yielded by the B measure is due to the inclusion of the armed forces in the "not elsewhere classified" category in 1970 but not apparently in 1960.
sectoral labor force. Ecuador and El Salvador both reported rates of increase approximating 5 percent per year, rate that surpassed the growth rate of the agricultural labor force as a whole by about five and two times respectively. They are also countries with relatively large proportions of their agricultural labor forces in this category. The rate of increase in Guatemala was more modest at .85 of 1 percent per year and occurred in the face of a measured absolute decline in the size of the total agricultural labor force. In the two Central American countries, this increase was associated with larger rates of increase in self-employed farmers. This suggests that the increase in UFW reflects an increase in the number of farm units rather than an increase in the number of such workers per unit. We will return to comment on the possible significance of these increases below. In the case of Ecuador, the increase in UFW exceeded by far the rate of increase in self-employed farmers or in the agricultural labor force as a whole. In the absence of additional information about developments within the agricultural sector, one might consider this increase to signal an unfavorable trend in rural labor market conditions. Such increases, however, cannot always be interpreted as unambiguous evidence of a decline in the quality of available employment opportunities. In order better to interpret the significance of a change, additional information would be required, such as trends in output or income per person employed in the sector.

With respect to the self-employed, absolute declines were reported in only three countries, Argentina, the Dominican Republic, and Mexico, though in view of the large continuing transfers of land under the land reform programs of 1950-70, the decline in Mexico may be viewed with scepticism. To the extent that declines can be assumed to represent voluntary occupational mobility, they probably carry with them an improvement in the employment position of workers. Where they occur as a result of eviction or land consolidation, obviously the alternative employment could prove inferior. In none of the countries with declines, however, am I aware of any significant eviction or consolidation moves during the 1960s.

Increases in the number of self-employed agriculturalists could come about in three ways, one of which might be viewed as unfavorable for the quality of employment, the others as favorable. To the extent that the increase is due to the subdivision of already reduced plots in intergenerational transfers, the income position of independent peasants may well deteriorate. On the other hand, an expansion associated with the cultivation of new lands in land-rich countries, or with changes in tenure
arrangements, might be considered to have improved the lot of independent farmers.

Nine countries recorded increased in both the absolute numbers and in the relative importance of self-employed farmers within the agricultural labor force. Most of these countries either enjoy favorable land-labor ratios, had undertaken land redistribution or settlement programs, or both. Included in this group would be Brazil, Chile, Costa Rica, Panama, Peru, Uruguay, and Venezuela. One might surmise that the expansion of this category in these countries is likely to have had a positive impact on the economic position of the agricultural labor force. Two countries with high rates of increase, El Salvador and Guatemala, are less likely to have realized improvements in the condition of the self-employed farmers. In neither country, during the 1960s, was there any significant effort to redistribute existing holdings or, in the case of Guatemala, to open up new areas for settlement in the land frontier of El Peten. One can only speculate that the increase in either the result of underenumeration in the earlier census or of the further division of family plots into smaller units. In the latter event, an increase in the number of independent farmers may not carry with it any improvement in their economic condition on average.

Two other countries, Ecuador and Honduras, reported increases in the number of self-employed farmers, though their relative importance within the agricultural labor force declined. In Ecuador the rate of increase was small, .4 of 1 percent per year. This increase may have been associated with the limited reform measures introduced during the latter half of the 1960s. To the extent that the beneficiaries of the reforms were mainly those affected by the abolition of the huasipungaje and the arrimado, little improvement is likely to have followed. More than 19,000 farmers, however, also either received land under redistribution and colonization measures or saw their existing plots supplemented with additions of land. These may be expected to have improved their position. Incidentally, this number of farmers receiving land is virtually equal to the increase in the number of self-employed farmers recorded between the two censuses. The increase in self-employed farmers in Honduras was almost equal to the rate of increase in the total agricultural labor force and is not likely to have had any significant impact on the average well-being of the sectoral working population.

The remaining country in our sample, Cuba, reported an unchanged number of self-employed farmers, though their relative importance rose within a slightly shrinking agricultural labor force.

Can any conjectures about the average quality of sector
employments be made on the basis of this review of the recorded changes in the status of the agricultural labor force? While these changes do not have unambiguous consequences for the quality of employment, they do not suggest that there has been a general deterioration in sector employment conditions. The widespread reduction in the absolute or relative importance of UFW may be interpreted as a favorable development. Likewise, the increased importance of self-employed within the sector might be expected, on balance, to have been accompanied by an improvement in the average position of the sector labor force. Only two countries stand out as possible exceptions to this conjecture, El Salvador and Guatemala. Both of these reported increases in both UFW and self-employed farmers in contexts of very unfavorable land-labor ratios in the whole sector of the former and in the crowded central highlands of the latter; neither country undertook significant land redistribution programs. Definitive conclusions on changes in quality of employment would require additional information about productivity and income changes over time, information not readily available.

It should be noted that I have compared changes in self-employment and UFW in agriculture with the rate of change in the total labor force employed in agriculture. Had I compared these with the rate of change in the total labor force, I would have concluded that, in the vast majority of the countries, there has been an unambiguous decline in the proportions employed in both statuses. Relative to the growth of the total labor force, the UFW in agriculture declined in relative importance in all countries but two, Ecuador and El Salvador. While the self-employed appear to have gained in importance relative to the agricultural labor force in most countries, their increase in numbers did not keep pace with the growth of the total labor force. In only three, Brazil, El Salvador, and Guatemala, did they increase relative to the total.

2. Nonagricultural Sector. I begin by noting the relative importance of UFW in the nonagricultural sectors of the included countries. As might be expected, the proportion is well below that found in the agricultural sector of all countries. In no country except Mexico does the proportion exceed 3 percent of the nonagricultural labor force, even if all the UFW unassigned by the census to a sector are arbitrarily considered to fall within the nonagricultural sector. Compared to developing countries in other parts of the world, these proportions are considerably reduced. One of the consequences of very small numbers of UFWs in the base year is that rather small absolute increases can lead to some startlingly
large rates of annual increase, as we shall see below.

In only four of the fifteen countries, Brazil, Chile, Costa Rica, and Cuba, did the number of UFWs decline in absolute terms within the nonagricultural sector. In three others, Ecuador, Panama, and Peru, their relative importance declined unambiguously or remained virtually unchanged over the intercensal period. Depending on how one treats the UFW not assigned to a sector of the economy, this number can vary. If one ignores the unassigned workers, and is guided only by changes in measured and assigned employment, (Category A in Table 3), two additional countries, the Dominican Republic and Mexico, can be counted among those with a decline in the proportion of UFW, for a total of nine. Unambiguous increases in the absolute and relative importance of UFW occurred in six countries; this number rises to eight if in the two countries with large number of unassigned workers (by sector), these are arbitrarily assigned to the nonagricultural sector.

The data seem to suggest that there was an unambiguous "explosive" increase in UFW in only two countries, Argentina and El Salvador, where the rate of increase was 10 percent per annum or over. A closer look at these would seem to be in order. In Argentina, the only important nonagricultural sector in which UFW declined was manufacturing, where it declined by a third over the 1960-70 decade. Other nonmanufacturing sectors witnessed substantial increases in their numbers, a fivefold increase in construction and services, and a 150 percent increase in commerce. While the relative changes are large, it should be noted that, in absolute terms, this category of workers remains quite small. In 1970 it accounted for only 1.2 percent of the nonagricultural labor force if only the workers assigned by sector (Category A in Table 3) are considered. The proportion rises to 1.7 percent if the unassigned UFW are included in the nonagricultural labor force. Viewed in a different manner, the increase in UFW absorbed only 5 percent of the increase in the nonagricultural labor force. The rate of increase was half as great for men as it was for women, whose labor force participation rate increased by almost 15 percent over the decade.

In the case of El Salvador, the 12.2 annual rate of increase in UFW started from base of fewer than four thousand workers in 1961. By 1971, this number had increased to just over twelve thousand. Viewed against the increase of 158 thousand in the nonagricultural labor force, however, the growth of UFW represents the absorption of only about 5 percent of the growth in the labor force. In two other countries with relatively large unambiguous rates of increases in the importance of UFW, Venezuela and Uruguay, these increases accounted for only about 1 and 4 percent respectively of the increase in the nonagricultural labor force.
Thus, the increases in UFW recorded during the intercensal decade do not suggest a significant deterioration in employment conditions. On the other hand, it might be argued that they reflect the beginning of a trend and could thus portend such a deterioration. To determine the validity of this argument, we shall have to await the results of the forthcoming population censuses of the 1980s. Nevertheless, as we shall see below, grounds exist for a less pessimistic appraisal.

Of much greater significance for assessing the change in quality of employment is the growth of the self-employed segment of the nonagricultural labor force. This is so because the easy entry into many occupations in a self-employed status make it a natural "escape Valve" for those unable to find employment in a preferred wage status. The relative importance of the self-employed can be seen in Table 3. Most of the countries reported between 20 and 30 percent of their nonagricultural labor forces in this status.

A review of rates of change in this category does not lend much support to a view of rapid deterioration in the quality of employment opportunities. In fully ten, or two-thirds, of the countries in this sample, the self-employed in the nonagricultural sector of the economy declined in relative importance; that is, while their absolute numbers increased, they increased at a slower rate than the increase in the nonagricultural labor force as a whole. In Uruguay, there was little change. Only in Cuba did the absolute number of self-employed decline, and this was, of course, a reflection of the transition from a capitalist to socialist organization of the economy. In three countries, Chile, Honduras, and Panama, the self-employed increased in relative importance within the nonagricultural sector. In Panama and Honduras, however, the greatest increase occurred in manufacturing, artisan, and transport activities rather than in sales and services. In Chile, on the other hand, the sales category expanded most rapidly while services growth lagged far behind the increases in other productive categories. Thus, even in these countries there is no marked visible tendency for increases in the nonagricultural sector to crowd into marginal self-employment.

This becomes more clearly evident if one separates out the two activities thought to harbor the greatest amounts of such marginal employment. Table 4 presents the rates of growth in measured employment in a self-employed or UFW status in the sales and personal services sectors for a reduced number of countries. The data used for this purpose are again based on the occupational distributions of the labor forces rather than the industrial classification of employment. As noted earlier, the former
### Table 4. Annual Percentage Rates of Change in Sales and Service Occupations by Employment Status

<table>
<thead>
<tr>
<th>Country</th>
<th>Years</th>
<th>Total Non-Agricultural Labor Force</th>
<th>Persons Engaged in Sales Occupations</th>
<th>Persons Engaged in Personal Service Occupations</th>
<th>Not Elsewhere Classified</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total Persons</td>
<td>Self-Employed</td>
<td>Unpaid Family Workers</td>
<td>Total Persons</td>
</tr>
<tr>
<td>Argentina</td>
<td>1960-70</td>
<td>2.43</td>
<td>4.27</td>
<td>3.14</td>
<td>8.05</td>
</tr>
<tr>
<td>Brazil</td>
<td>1950-70</td>
<td>4.15</td>
<td>3.00</td>
<td>0.55</td>
<td>-5.27</td>
</tr>
<tr>
<td>Chile</td>
<td>1960-70</td>
<td>1.76</td>
<td>2.45</td>
<td>1.94</td>
<td>-4.98</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>1963-73</td>
<td>6.07</td>
<td>3.90</td>
<td>3.31</td>
<td>0.00</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>1960-70</td>
<td>5.04</td>
<td>3.07</td>
<td>1.53</td>
<td>-6.70</td>
</tr>
<tr>
<td>El Salvador</td>
<td>1961-71</td>
<td>4.16</td>
<td>5.40</td>
<td>5.13</td>
<td>7.76</td>
</tr>
<tr>
<td>Guatemala</td>
<td>1964-73</td>
<td>3.91</td>
<td>6.06</td>
<td>6.59</td>
<td>5.75</td>
</tr>
<tr>
<td>Honduras</td>
<td>1961-74</td>
<td>3.49</td>
<td>5.31</td>
<td>5.31</td>
<td>5.06</td>
</tr>
<tr>
<td>Jamaica</td>
<td>1960-76</td>
<td>2.81</td>
<td>5.37</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Mexico</td>
<td>1950-70</td>
<td>4.24</td>
<td>2.03</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Panama</td>
<td>1960-70</td>
<td>5.18</td>
<td>7.24</td>
<td>7.01</td>
<td>0.87</td>
</tr>
<tr>
<td>Paraguay</td>
<td>1962-72</td>
<td>3.07</td>
<td>3.82</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Peru</td>
<td>1961-71</td>
<td>3.00</td>
<td>3.66</td>
<td>2.56</td>
<td>0.35</td>
</tr>
<tr>
<td>Trinidad-Tobago</td>
<td>1960-75</td>
<td>3.02</td>
<td>4.21</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Uruguay</td>
<td>1963-75</td>
<td>0.63</td>
<td>0.16</td>
<td>0.51</td>
<td>5.08</td>
</tr>
<tr>
<td>Venezuela</td>
<td>1961-71</td>
<td>2.95</td>
<td>2.95</td>
<td>2.52</td>
<td>-8.65</td>
</tr>
</tbody>
</table>

**Notes:**

1. For those countries in Table 3 for which two rates of growth (A&O) of the non-agricultural labor force were given, only the A rate is given here.

2. Because the occupational data were not available by employment status in comparable fashion in 1950, the broader industrial classification has been used. For the sales occupational category, I have substituted the industrial category of retail and wholesale trade.

3. Category includes truck and other vehicle drivers in 1970.

4. The sales category for 1975 does not include itinerant peddlers (vendedores ambulantes). Whether they are also excluded in 1963 is not known.

**Source:** ILO, Yearbook of Labour Statistics, Table 2B. For country references see sources listed in Table 1.
is a narrower category that permits me to approximate more closely the kinds of activity most frequently associated with marginal employment. If marginal employment has become an increasingly important phenomenon, it is reasonable to expect that it would be evidenced by rapid increases in both self-employment and UFW and in both sales and personal service occupations. A perusal of the data in Table 4 yields no consistent picture of "explosive" growth across the board in any country.

Consider first the sales category of employment. In six of the ten included countries, the rate of growth in this occupational group was either slower than, or not significantly different from, the rate of growth in the total nonagricultural labor force. Within the sales category, the self-employed either declined or remained virtually unchanged in relative importance in fully eleven of the thirteen countries for which detailed breakdowns were available. Only in Guatemala and Uruguay did the rate of growth of self-employed sellers exceed that of the occupational group as a whole, and the rate of increase of the former exceeded that of the latter by only a half a percentage point or less. The same decline in relative importance can be seen in the UFW status of sales employment. In ten of the thirteen countries, it declined or remained unchanged. It increased only in Argentina, El Salvador, and Uruguay. It should be observed, however, that the increases in these countries departed from very small absolute bases; for example, in El Salvador and Uruguay, the large percentage increases in UFW were produced by absolute increases of only 1 and 1.3 thousand workers respectively.

Turning now to the personal services occupational group, we can observe a rather similar pattern in the relative rates of growth, with one exception. Whereas the sales occupational group as a whole exceeded the rate of growth of the total nonagricultural labor force as a whole in most countries, the personal services group's growth lagged behind the total in ten of the sixteen countries. Within the reduced number of twelve countries with breakdowns by status, two-thirds reported a decline or no change in the relative importance of the self-employed category; there were even absolute declines reported in three countries. With respect to the UFW, the picture is more mixed; only five of twelve countries reported declines in their relative importance. Most of the rates of change, both positive and negative, involved small absolute changes when compared to the absolute changes in the occupation group as a whole. In any case, if the service occupational category's expansion was a product of "crowding" by the marginally employed, then one would expect the growth in the UFW to be matched
by high rates of growth in the self-employed. This clearly
does not appear to have occurred.

In short, then, the commonly advanced view that there
has been an "explosive" increase in marginally employed
workers in the statuses most frequently associated with
such employments receives little empirical support from
this review of labor force statistics. In agriculture,
the widespread decline in UFW and the increasing relative
importance of the self-employed may be viewed as encouraging
developments, though the latter admittedly is not an
unambiguous indicator of improvement. In the nonagricultural
sectors, the occupational groups most commonly associated
with marginal employment clearly recorded changes that
appear to be favorable for the quality of employment.

D. Open Unemployment. Usable unemployment statistics
are available from only a reduced number of countries,
ten in number. As can be seen from Table 5, the length
of time covered by the individual time series varies sharply
from country to country. Furthermore, for most countries,
the coverage is restricted to a single urban center or
to the urban population in general. The extent to
which the limited coverage reflects the actual level of
unemployment for the labor force as a whole, however, is
of less importance for our purposes than whether the trend
in unemployment within the surveyed population is a true
reflection of the trend in the aggregate. In the absence
of information to the contrary, we have chosen to assume
that the trend in the surveyed population does faithfully
mirror at least the direction of change in the aggregate.

I have computed average rates of unemployment over
the available years. As can be seen, the reported averages
span a wide range, from a low of 4.6 percent in the Lima-
Callao area to 21.7 percent in Jamaica, though most
countries fall within a fairly narrow range of from 5
to 8 percent. As we have noted before, however, the
different surveyors render these averages across countries
noncomparable. Even a casual observation of the data yield
two impressions. First, in no country has there been
an unambiguous increase in the open employment rate; and
second, it is difficult to discern any definite trend in
the course of unemployment. Most country data evince
ups and downs, with little net change over time. I
have fitted a trend line to the data for each country
with five or more consecutive annual observations in the
form of a linear regression of unemployment rates on time.
The coefficient of the time variable is presented in the
Table along with its standard error. The direction of
change, as indicated by the sign of the coefficient, was
downward in five and upward in four of the countries.
Only one proved to be statistically significant, that
of Venezuela, which indicated a downward trend. The
Table 5. Unemployment Rates and Trends for Selected Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Years</th>
<th>Average (Percent)</th>
<th>Coefficient of Variation (Percent)</th>
<th>Coefficient of Trend</th>
<th>Standard Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>1964-75</td>
<td>5.1</td>
<td>12.0</td>
<td>5.7 5.3 5.6 5.4 5.0 4.3 4.8 6.0 6.6 6.1</td>
<td>3.4 2.3</td>
</tr>
<tr>
<td>Bolivia</td>
<td>1970-74</td>
<td>16.2</td>
<td>1.0</td>
<td>15.9 16.1 16.3 16.4 16.1</td>
<td>.070 (.099)</td>
</tr>
<tr>
<td>Chile (Gran Santiago)</td>
<td>1960-75</td>
<td>6.7</td>
<td>42.6</td>
<td>7.4 6.7 5.3 5.1 5.3 5.4 5.4 6.1 6.1 6.2 7.2 5.5 4.3 4.4 9.7 16.2</td>
<td>.252 (.145)</td>
</tr>
<tr>
<td>Colombia (Bogota)</td>
<td>1963-74</td>
<td>9.1</td>
<td>17.9</td>
<td>7.9 7.1 8.9 10.1 12.2 11.3 9.6 8.2 8.9 6.8 (8.4)</td>
<td>10.0</td>
</tr>
<tr>
<td>Jamaica</td>
<td>1972-75</td>
<td>21.7</td>
<td>--</td>
<td>19.9 17.6 -- -- 23.2 21.9 21.2 20.5 -- --</td>
<td></td>
</tr>
<tr>
<td>Panama</td>
<td>1963-75</td>
<td>6.6</td>
<td>11.7</td>
<td>5.8 7.4 7.6 5.1 6.2 7.0 6.6 7.1 7.6 6.8 7.0 5.8 6.1</td>
<td>.003 (.060)</td>
</tr>
<tr>
<td>Peru (Lima-Callao)</td>
<td>1969-75</td>
<td>4.6</td>
<td>14.0</td>
<td>5.9 4.7 4.4 4.2 4.2 4.0 4.9</td>
<td>-.164 (.112)</td>
</tr>
<tr>
<td>Trinidad-Tobago</td>
<td>1965-75</td>
<td>14.2</td>
<td>7.3</td>
<td>14.0 14.0 15.0 15.0 13.5 12.5 12.6 (14.0)</td>
<td>15.4 15.3 15.0</td>
</tr>
<tr>
<td>Uruguay (Montevideo)</td>
<td>1968-74</td>
<td>8.1</td>
<td>6.8</td>
<td>8.4 8.7 7.5 7.6 7.7 8.9 8.1</td>
<td>.011 (.115)</td>
</tr>
<tr>
<td>Venezuela (Urban)</td>
<td>1967-71</td>
<td>6.6</td>
<td>10.1</td>
<td>7.7 6.3 6.5 6.3 6.0</td>
<td>.340 (.141)*</td>
</tr>
</tbody>
</table>

Notes:
*denotes significance at 95 percent confidence level or higher.
1. Values in parentheses are interpolated for purposes of computing trend coefficient.

Sources:
Chile: Universidad de Chile, Instituto de Economia, Ocupacion y Desocupacion en el Gran Santiago, various issues.
remaining countries exhibited either a stable level of unemployment or erratic fluctuation with no discernible trend. Data for Jamaica have been included in the table, though no trend coefficient was computed in the absence of sufficient consecutive observations. Furthermore, the gap of two years in the series raised questions about the comparability of the pre- and post-gap data that I was unable to resolve. Within the abbreviated 1972-75 period, the data exhibit a downward trend, though they have since turned upward. In short, the data for these countries do not offer any support for the proposition that employment conditions deteriorated generally in the recorded interval.

VI. CONCLUSION

This survey was undertaken to provide a crude empirical test of the proposition that employment conditions within the region have deteriorated generally. I have examined four sets of data, which could be presumed to reflect the direction of qualitative changes in labor market conditions. In none of these have I been able to discern unambiguous evidence of deterioration. I have thus concluded that the proposition is not supported by these data. One cannot help but be troubled by the absence of correspondence between the generally accepted evaluation of changes in employment conditions and the evidence that is most readily available to students of less developed countries and that has been reviewed here. It, therefore, may be useful to speculate on some of the possible reasons for this divergence. The first possible explanation may simply lie in the data. It may well be that the data are not sufficiently robust to reflect the changes that have actually occurred. The conceptual and measurement difficulties mentioned in earlier sections of this essay may simply frustrate an attempt to chart accurately the conditions actually prevailing in labor markets. If the data are universally weak, it would appear that they are weak in the same way for all countries; that is, the biases inherent in data collection tend to be similar and in the same direction for all. Whether it is reasonable to subscribe to such a possibility, I leave to the reader. In any case, if the data cannot be relied upon to disprove the hypothesis of deterioration, they certainly cannot be cited to support it. Thus, the empirical foundations of the conventional view remain to be developed.

A second possible explanation may lie in the period from which the data employed above have been drawn, the decade ending in the early 1970s. While the data failed to produce evidence of deterioration, it may be that the current
decade has seen a change for the worse. The dislocations attendant on the quintupling of petroleum prices and the resurgence of inflation have had a retarding effect on rates of growth in the developing world and may have had adverse consequences for the quality of employment. The pessimistic evaluations of employment conditions antedate the onset of these worldwide disruptions, however, and as yet, the changes occurring in the labor market over the past five years have not been documented. Should a deterioration appear to have occurred during this recent interval, it would still remain to be seen whether it is of a cyclical nature or the beginning of a more ominous secular trend.

Finally, the conclusion that conditions have worsened is frequently drawn from the observation that employment opportunities in activities with a "satisfactory" level of productivity have not increased as rapidly as output growth would lead one to expect. Thus, a "sufficiently large" part of the growth of the labor force is failing of absorption in such activities. While it may, in fact, be true that employment in the "modern," or large-scale, manufacturing sector has fallen short of the rate of growth of output, it is not clear that this implies a general deterioration. Indeed, it may be erroneous even to adopt the productivity levels of this part of the modern sector as the norm against which to compare the productivity of other employments. To the extent that measured productivity in the modern sector is inflated due to institutionally created market distortions, such as excessively high tariff barriers, "high" institutionally determined wages, or heavily subsidized capital, then it may not be appropriate as a standard. If outputs and inputs were valued at international prices and at their social opportunity costs respectively, many of what appear to be "high productivity" employment would prove to be of very low or even negative productivity. Emphasis on this part of the modern sector has led to an empirical neglect of a much larger "informal" sector, which has grown pari passu with urban development and which has not enjoyed the benefits of either extensive protection or subsidies. What evidence there is suggests that, while productivity in this sector is lower than "measured productivity" in the modern industrial, it is significantly higher than that in agriculture. Its growth at the expense of agricultural employment, therefore, would imply a declining proportion of the labor force in the lowest income sector. If income levels in the urban informal sector have remained at least reasonably stable, then even an improvement in the average quality of employment may have occurred.

In short, the available labor market information provides a cause for neither despair nor satisfaction. While the data reviewed here do not support the deterioration hypothesis,
this hardly implies that concern is not warranted about employment conditions. As long as less developed country labor forces continue to grow at annual rates in excess of 2 percent, the creation of an adequate number of employments to absorb this growth will continue to pose an enormous challenge. Nevertheless, the future need not be dismissed out of hand as simply dismal. To the extent that the extreme distortions introduced in the past are avoided and a more efficient allocation of capital resources is achieved, it may be possible to avoid a deterioration in the average quality of employment even if the measured rates of GDP growth appear to decline from the levels of the 1960s and early 1970s. Our ability to chart accurately the course of employment in most countries of the region will remain severely limited until the coverage and quality of labor market statistics is vastly increased. In particular, much greater detailed information will be needed about employment in the sectors outside modern manufacturing and ancillary activities, in those sectors where the bulk of the labor force is, and will continue to be, employed.
NOTES


4 PREALC, The Employment Problem in Latin America: Facts, Outlooks and Policies (Santiago, Chile: International Labour Office, 1976), p. 38. The rates of underutilization for the remaining five countries were as follows: 29.6 percent for Colombia, 22.8 for Chile, 25.4 for Mexico, and 24.2 for Venezuela.

5 Economic and Social Progress in Latin America, 1977 Report, p. 129.

6 This estimate is similar to one made by Raul Prebisch. In order to achieve a satisfactory rate of absorption of the labor force in employments with rising productivities, he prescribed a rate of increase in GDP of 7-8 percent. Change and Development (Washington, D.C.: Inter-American Development Bank, 1970), pp. 67-80.

7 Guidelines for Achieving Maximum Employment . . . op. cit., p. 8.


9 For example, one method of measuring the gap between the available supply of labor and the level of employment leads to the conclusion that the problem of the employment gap has worsened steadily since 1950. Guidelines for Achieving Maximum Employment . . . op. cit., p. 17.

10 One of the more comprehensive studies of the employment problem in developing countries states that "we still know almost nothing about the trend and little enough about the level of such magnitudes as unemployment and poverty and will continue to know nothing for a number of important countries unless systematic inquiry is begun now." D. Turnham, The Employment Problem in Less Developed Countries (Paris: Organization for Economic Cooperation and Development, 1971), p. 15.
The labor force participation rate is defined as the proportion of the population of working age which is either employed or actively seeking employment.

Trejo, op. cit., p. 412.


L. Y. L. Yap, "The Attraction of Cities," Journal of Development Studies 4 (September 1977), pp. 239-64. The research findings reported in this paragraph are drawn from Miss Yap's review.

In the Brazilian case, the post-migration incomes were compared with those of a similar group of non-migrants in the place of origin on the assumption that the latter represent an accurate measure of the earnings the former group would have earned had it not migrated.
19. This view has been fully articulated in "Structural Changes in Employment within the Context of Latin America's Economic Development," Economic Bulletin for Latin America, Vol. X.


22. For a review of the literature on the urban informal labor market see D. Mazumdar, "The Urban Informal Sector," World Bank Staff Working Paper No. 211 (Washington: International Bank for Reconstruction and Development, July 1975), especially pp. 27-47. Informal labor markets in Latin America and the Caribbean are examined in some detail in PREALC, Sector Informal: Funcionamiento y Politicas (Santiago: 1978). For an indication of the range of earnings within this sector in Kingston, Jamaica, see pp. 216-17; for San Salvador, pp. 186-190. See also V. Tokman, "Informal-Formal Sector Interrelationships," CEPAL Review, first half of 1978, pp. 128-129, in which earnings of informal sector sales workers in Chile are compared with the legal minimum wage. Owners of small retailing establishments were found to earn incomes which compared favorably with the minimum wage though their incomes were lower than other self-employed workers with similar personal characteristics in Greater Santiago. While productivity of many employments in the informal sector seem low when compared to those of the formal manufacturing sector, they are likely to lie considerably above that in agriculture. For example, estimates by CEPAL of average productivity by sector for 1960 attributed levels in two miscellaneous service categories presumed to include the bulk of marginal employment in the service sector equal to 45 and 75 percent greater than the average for all of agriculture. On the other hand, average agricultural productivity exceeded that in artisan manufacturing by almost 40 percent. However, since the agricultural productivity is an average of both the modern commercial and traditional farm sectors it does not represent an ideal basis of comparison of productivity of traditional or informal employments across sectors.


24. An increase in the recorded open unemployment rate could, however, be averted if disappointed aspirants withdraw from the labor force. In this case, a decline in labor force participation rates would be observable.


27 The following observation is typical: "It seems clear that the assumptions of the classical theory of change (in the structure of employment) do not apply to Latin America. Only in the initial stages did the industrialization fulfill the function of rapidly increasing industry's share in total employment. Once these initial stages had been completed, industry lost its capacity to create employment at a sufficiently high rate with the result that labour was rapidly absorbed by 'other services.' And the services sector generates a variety of marginal activities into which labour is for all intents and purposes 'dumped', and employed at an extremely low level of productivity." ibid., p. 46. As used in this context, "services" includes the commercial sector.

28 The calculation has been derived from data contained in Table 25, ibid.

29 Dirección General de Estadística y Censos Nacionales, X Censo de Población y Vivienda, Vol. 6 (Caracas: 1975), p. 75.


31 ibid., Vol. VI, p. 47. The huasipungaje refers to a traditional system whereby tenant farmers (huasipungeros) were required to perform from four to six days' labor a week for the landowner, either for pay at about half the free-labor rate or for the use of a small subsistence plot, and at least one additional privilege, such as wood gathering or pasturing animals on the estate. Arrimados were farmers who established permanent or semipermanent cultivations on lands not belonging to them and paid the owner either in money, products, or labor.
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