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Underemployment Major Problem In Latin America

by LADB Staff
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At an Oct. 6 international conference on labor and employment sponsored by the US Agency for International Development (USAID) in Washington, economist W. Donald Bowles said underemployment is a very real labor problem faced by Latin American and Caribbean nations. Underemployment is defined as underutilization of workers' skills, and/or compensation inadequate to meet workers' basic needs.

Bowles is an economics professor at American University in Washington, and an consultant to USAID. According to Bowles, the region's high demographic growth rate is one of the factors contributing to the underemployment problem. He said rapid population growth and economic policy distortions which have weakened both the formal and informal economic sectors in underdeveloped nations have retarded a transformation in the sectoral structure of the labor force in such a way that a vast number of people remain in conditions of low productivity in both the urban and rural sectors.

Bowles, who was contracted by AID to evaluate 30 employment generation projects throughout the world, stated that he recognized the importance of job creation in the developing world where unemployment levels are very high. In many Latin American and Caribbean countries, for example, the unemployment rate has been a constant of 30 to 40%. He warned development experts to avoid becoming confused by the term "employment generation."

There is no scarcity of workers, said Bowles, while there is relative scarcity in terms of capital, and the goods and technologies necessary for capital investment. Thus, the problem of employment is most appropriately considered one of the scarcity or inadequacy of inputs, more than a labor surplus. Bowles pointed out that AID and other development agencies abstain from direct attempts to stimulate employment because such efforts can be perceived as forced and of limited value. He added, these agencies must promote development of export industries in developing nations as a means of confronting their "extremely adverse" debtor position and growing import needs.

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