
2

Working One's Way Up: The Urban Poor and the Labor Market

Caterina Ruggeri Laderchi

The key asset of the poor is human capital, which they can monetize through the labor market. Gaining employment—particularly employment that pays a decent wage and offers benefits, stability, and prospects for growth—is probably the major challenge facing the urban poor.

Are poor people poor because the economy fails to create a sufficient number of (good) jobs or because their characteristics do not allow them to obtain the (good) jobs that exist (Bartik 1993)? The answer is: a bit of both. Heads of poor households are more likely to be unemployed than heads of nonpoor ones (table 2.1), and in most countries poverty would drop if unemployment or underemployment were to fall. In Costa Rica, for example, Trejos and Montiel (1999) estimate that urban poverty would decline from 14 percent to 8 percent if the poor participated in labor markets as much as the nonpoor. Nevertheless, the characteristics of the poor—low education, weak integration in social networks that provide access to good jobs—have a bearing on their performance in labor markets.

Labor markets, and the poor's ability to get and keep good jobs, are at the heart of poverty dynamics. Long and protracted unemployment can plunge a household into poverty, while marginal and unsafe jobs generally offer no hope of escaping poverty. More generally, labor markets are the key channel of transmission of macroeconomic volatility to the poor. Such linkages between poverty and the labor market can be mitigated by social insurance and safety nets. Unfortunately, as discussed in chapter 7, the urban poor have very limited access to such social protection in Latin America and the Caribbean. This chapter examines the employment

Caterina Ruggeri Laderchi is an Economist at the World Bank. This chapter benefited from extensive inputs from Marianne Fay.

Table 2.1 Unemployment is higher among the heads of poor households in selected Latin American countries (percent)

Country	Poor	Nonpoor	Total
Argentina	19.1	4.4	10.2
Brasil	11.2	2.1	4.8
Chile	14.8	2.3	4.9
Colombia	8.8	4.6	7.5

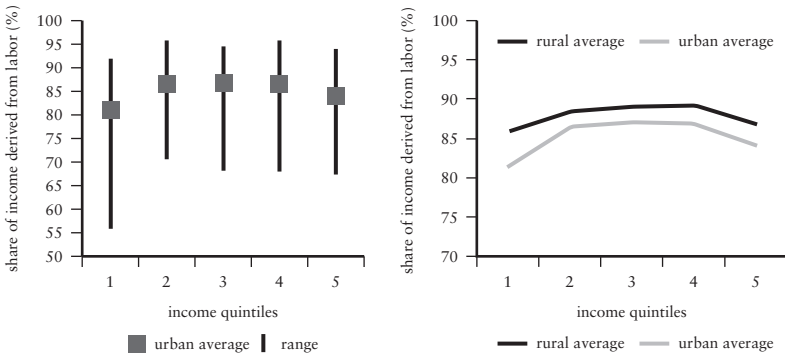
Source: Urani 2003.

situation of the poor and the supply and demand factors that may explain their inability to access or keep good jobs. It then looks at recent labor market developments and their impact on the urban poor, examines how the poor draw on labor in times of crises, and draws policy implications.

How the Urban Poor Use Their Key Asset

Labor income accounts for more than 85 percent of the income of the urban poor in Latin America and the Caribbean (figure 2.1). The extent to which the poor use their labor and the returns they receive are therefore

Figure 2.1 Labor income accounts for more than 85 percent of the income of the urban poor in Latin America and the Caribbean



Source: Annex tables 2A.1 and 2A.2.

Note: Range excludes Jamaica, for which the data look suspiciously high. Some of the cross-country differences may be due to different methodology in calculating income and income sources.

key for their livelihoods. It is not surprising, then, that employment is central to the poor's strategies for escaping poverty (box 2.1).

Employment Characteristics of the Urban Poor

The sources of livelihood of the urban poor are more differentiated than those of the rural poor, as evidenced by the fact that their dependence on labor income is slightly lower (figure 2.1). The difference is largest for the poorest quintile (although it is only about 4 percentage points) and is due mostly to the fact that the urban poor receive more pensions and transfers as well as slightly more capital, income, rent, and profits than the rural poor. The slightly lower importance of labor income among urban dwellers seems to be widespread: it holds for 14 of the 17 countries for which data are available (the exceptions are Jamaica, Mexico, and Venezuela).

Box 2.1 Voices of the Poor: How the Urban Poor in Mexico View the Connection between Work and Poverty

A recent survey of poor people's perceptions of poverty and well-being in Mexico underscores the importance of jobs and working conditions. Asked what they perceive is needed to end poverty, poor people cite labor market conditions as the most important factor: 28 percent of urban respondents (21 percent in rural areas) say that more jobs are needed, 27 percent think creating jobs is the most effective government action in reducing poverty, and 25 percent (22 percent in rural areas) identify the need for higher salaries. A quarter of respondents perceive lack of jobs as one of the key problems facing their neighborhood or locality.

Work is seen as the key to improving one's lot: 43 percent of respondents cite working more as the main action they could take to raise their living standard. Other actions mentioned include having jobs compatible with taking care of children (13 percent of respondents) and starting their own business (5 percent of respondents).

Labor markets are also seen as sources of discrimination toward certain groups, and a significant share of the poor views the labor market as a source of insecurity and exclusion. When asked about the specific obstacles poor women face, 30 percent of respondents cite the lack of jobs, and another 27 percent cite discrimination due to child-rearing or pregnancy. Twenty percent of respondents cite losing one's job as a cause of worry over the next 10 years, and 17 percent report worrying about their current lack of work opportunities.

Source: Székely Pardo 2003.

Labor force participation is about 88 percent for poor urban males—somewhat lower than in rural areas (94 percent). The difference reflects the much lower employment rate for poor urban males (72 percent versus 90 percent in rural areas), which is only partially offset by a much higher unemployment rate (15.5 percent versus 3.9 percent in rural areas). In contrast, female participation is higher in urban areas (49 percent) than in rural areas (42 percent). More generally, labor force participation increases with income, largely because employment increases substantially (and unemployment decreases), particularly for women.

Despite the importance of labor for poor people's livelihoods, the region is characterized by great variety in the use of labor by the poor, across both countries and genders (annex tables 2A.3 and 2A.4). Cross-country rates of labor participation vary more among the poorest quintile than for the richer ones, and they vary much more widely among women than among men (participation by poor women ranges from 34 percent in Costa Rica to 77 percent in Jamaica; participation by poor men ranges from 80 percent in Guatemala to 93 percent in Colombia).

The high levels of labor supply by men reflect a range of levels of employment and unemployment. In the bottom quintile in urban areas, the share of adult men employed ranges from 58 percent in Argentina to 85 percent in Mexico, while the share of unemployed is as low as 2 percent in Guatemala and as high as 34 percent in Argentina (annex tables 2A.3 and 2A.4). Such high levels of open unemployment—discussed in more detail below—are a recent development in the region and defy the commonly held notion that open unemployment is a rich country phenomenon. One view is that with inflation having declined in the region, labor markets now tend to adjust through quantity rather than changes in the real wage.

For urban women, the worst employment performance among the bottom quintile is in the Dominican Republic (18 percent), and the best is in Jamaica (73 percent). Female employment and unemployment shares are less closely correlated than they are for men. This seems to reflect the higher likelihood of women resorting to inactivity, although the extent to which they do so varies across countries. Unemployment rates among poor women are 1 percent in Mexico and 18 percent in Colombia, despite very similar employment rates among poor women (42 percent in Mexico and 41 percent in Colombia).

International evidence suggests that skills may be an important determinant of employment performance, with employment rates increasing for higher skill levels (European Commission 2003). But this may not be the case among the urban poor in Latin America and Caribbean. While in Chile employment rates among people in the bottom income quintile rise with skill levels (42 percent for people with low-level skills,

46 percent for people with medium-level skills, and 49 percent for people with high-level), in Brazil the employment rate among this group declines as skills rise (from 54 percent to 49 percent to 47 percent) (annex table 2A.6). Similar trends are found in Argentina and to a certain extent Mexico.¹ Such findings could reflect more limited job growth in high-skill activities (a cause of concern in Mexico) or discouraged high-skilled workers choosing inactivity rather than low-paying jobs. It may also be related to the fact that higher education in some Latin American countries is disconnected from business needs and is therefore perceived to be of low quality.

Job Quality as a Key Element of the Poor's Employment Performance

Finding a job is difficult for poor people. Finding a good job is even harder: most of the jobs to which they have access offer low wages; limited employment security, social protection, or opportunities for advancement; and working conditions that present safety and health risks.

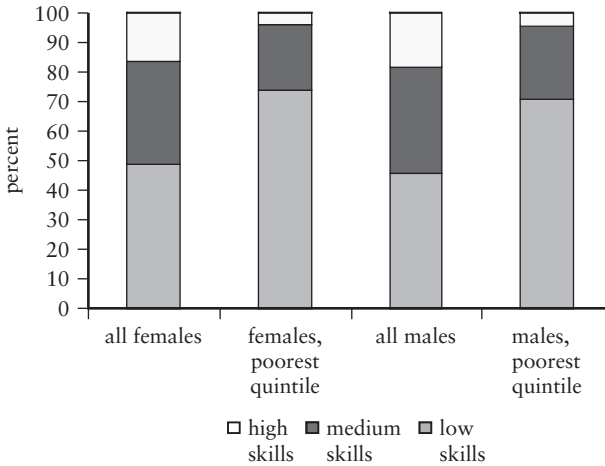
Examples abound of the low quality of jobs accessible to the poor and the implications this has on their earnings and security. Evidence from Peru shows that productivity losses due to ill health are largest among the poor, in part because the poor tend to be employed in low-skill jobs that require more physical effort (Murrugarra and Valdivia 2000). Evidence from urban Mexico shows that the informal sector, which employs a majority of the poor, provides less job tenure, particularly for women.² It does, however, seem to be better at allowing women to reconcile family and work responsibility (Calderón-Madrid 2000).

SUPPLY-SIDE LIMITS TO ACCESS TO GOOD-QUALITY JOBS

On average, about three-quarters of the poor have low-level skills, although the figure varies greatly across countries, ranging from 48 percent in Jamaica to 95 percent in Guatemala. Very few poor people have high-level skills (about 2 percent in the poorest quintile, figure 2.2). This figure varies across countries, however: in Argentina, Chile, and Colombia, more than one-fifth of poor urban household heads have at least 11 years of schooling (Urani 2003).

Much of the differences in wages across groups of people can be ascribed to differences in education, suggesting that schooling plays an important role (Arias, Yamada, and Tejerina 2004). Factors that have been linked to the lower educational achievements of the poor, particularly women and nonwhite populations, include the rural-urban divide (which affects access to schools, though there is a great heterogeneity in the quality

Figure 2.2 Very poor men and women are more likely than others to have only low-level skills



Source: Annex tables 2A.5 and 2A.6.

of schools within both urban and rural areas); racial and socioeconomic discrimination in schools; the intergenerational transmission of low education; and poverty itself, which makes it difficult to afford the direct and indirect costs of education (de Ferranti and others 2004).

Another element suggesting a link between skills and job quality is provided by evidence that most of the linkages between the formal and informal sectors are through the movement of low-skilled workers (Maloney 2002; Calderon-Madrid 2000). This suggests that despite the supposedly higher quality of formal sector jobs, the type of employment low-skilled workers can access is equally poor across sectors. This is supported by the finding that most transitions from formal salaried to informal salaried are voluntary. The high mobility of low-skilled workers across sectors also suggests that they are more fungible and hence less secure, irrespective of the sector of the economy in which they work.

The low quality of the education available to the poor is a major obstacle to accessing better employment. In Chile, where there is little difference in the enrollment of young children across income groups, achievement scores are typically lower at schools serving poorer children (Contreras and Larrañaga 1999). More generally, by international standards the quality of education is low in Latin America and the Caribbean. Weak education systems are likely to have the worst effects on the poor, who are less able to pay for tutoring or private schooling.³

Doubts have also been raised about the quality of training in Latin American cities. Saavedra and Chacaltana (2001) document the large variety of training opportunities available in Peru. They find, however, that while training opportunities are available to the urban poor, they are more limited in the poorest regions of the country. Variations in quality between public and private sector training are large, raising concerns about the adequacy of training of people who must rely on public sector training.

DEMAND-SIDE LIMITS TO ACCESS TO GOOD-QUALITY JOBS

The 1990s saw a decline in the number of good jobs available for poor and low-skilled workers in the public sector and in manufacturing. Most countries in the region saw massive retrenchments of the public sector in the past decade, particularly in low-skill jobs. Latin America and the Caribbean may be losing manufacturing jobs to Asian countries with much lower labor and transport costs.

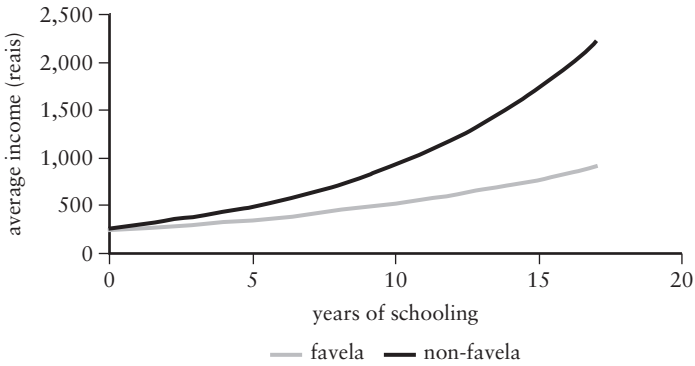
An additional difficulty in accessing good jobs is the spatial distribution of employment. Many of the poor live in distant suburbs poorly connected by public transportation to places of urban employment. Barone and Rebelo (2003) document the influence of limited mobility on the "peripheralization of the poor," high unemployment, and low incomes in marginal areas of São Paulo.

Racial discrimination, gender discrimination, and discrimination related to the stigma of coming from certain neighborhoods may account for the prevalence of poorer people in certain sectors and their inability to move to better jobs. Among workers in Rio de Janeiro with the same number of years of schooling, the returns to labor are lower for residents of *favelas*, even after correcting for race, gender, and distance from Rio's more dynamic employment center (Cardoso, Elias, and Pero 2003) (figure 2.3). This supports the hypothesis of spatial discrimination. It is unclear whether the discrimination occurs through lower pay for the same job (earning discrimination) or by not being able to access the same type of jobs that others with similar nominal qualifications can access (professional segregation).⁴

In Costa Rica, Trejos and Montiel (1999) show that poor people's human capital is rewarded with lower returns. According to them, if the working poor earned average returns, the urban poverty rate would have been 6 percent rather than 14 percent.

Evidence from the United States suggests that discriminatory mechanisms can become internalized by disadvantaged groups, with inner-city African Americans and Latinos tending to self-select themselves out of jobs in white suburban areas and limit their applications to the low-skill

Figure 2.3 Returns to education are lower for Rio de Janeiro's favela residents



Source: Cardoso, Elias, and Pero 2003.

jobs available in their own neighborhoods. A combination of factors, including poor job information, transportation difficulties, and perceptions of hostility or employer discrimination, explains this phenomenon (Stoll, Holzer, and Ihlanfeldt 1999). The effects of this self-selection on job applications and hiring patterns is reinforced by the reliance on “spreading the word” about vacancies through the social networks of the already employed.

Spatial discrimination in Latin American cities has not been widely explored. Exceptions, such as the work of Nopo, Saavedra, and Torero (2002) on Peru, suggest that some occupational segregation may be taking place. Segregation by ethnic group is higher among wage earners than among the self-employed, though the sector of economic activity, occupation, and firm size explain the greater share of the wage gap across ethnic groups. Arias, Yamada, and Tejerina (2003) find that differences in human capital (including the quality of education and parental education) can account for the lower earnings of nonwhites in urban Brazil in lower paying jobs. At the top of the earnings distribution, however, a 10 percent gap between whites and nonwhites remains unexplained, suggesting the existence of discrimination.

Recent Trends in the Labor Market and Their Impact on the Urban Poor

Labor market developments play a crucial role in shaping the economic environment facing poor households. Such developments include

changes in the pattern of utilization of labor, the uses to which such labor is put in terms of sector or type of activities, and the returns that labor can command. An analysis of changes in the income distribution in urban areas of Brazil between 1976 and 1996 highlights the role played by a decrease in average returns to education (Ferreira and Paes de Barros 1999). Despite rising educational attainments, changes in the labor market in Brazil have meant that the poor have been struggling not to lose ground.

The 1990s was a tumultuous decade for Latin America and the Caribbean. The changes that occurred included major labor market developments, some of which are particularly relevant for the urban poor. These include the rise in female participation, which is important inasmuch as having a second income is a key strategy for fighting poverty and diversifying risk; the rise in open unemployment, which was traditionally very low for the poor; the change in the sectoral composition of employment, with a decrease in manufacturing jobs and in jobs supplying services to the middle classes; and an increase in the relative importance of the informal sector.

Increased Female Participation

The most important development in the region's urban labor markets in the 1990s was the increase in female participation (Saavedra 2003).⁵ A cohort analysis for urban Colombia based on surveys from 1976 to 1998 estimates that men's participation rate was consistently above 90 percent for all cohorts. In contrast, women's participation increased significantly over time: just 35 percent of women born in 1937 were participating in the work force in 1977, but 65 percent of women born in 1957 were labor force participants (Attanasio and Székely 2002). The increase in female participation has affected all educational levels, but it has been particularly strong among the poor (Duryea and Edwards 2001).

Greater female participation is due to a combination of factors, particularly gains in women's earning opportunities with respect to those of men, a reduction in fertility, and an increase in returns to education. However, in the case of poor women, the key determinant is probably the need to supplement family income when traditional bread winners lose their jobs. In Mexico women who are primarily caregivers enter the informal salaried sectors when faced with increased income risk (Cunningham 2001a). However, when an actual shock occurs and a longer term coping strategy seems to be needed, they enter self-employment or formal jobs.⁶ A similar substitution within the household supply of labor is documented in urban Bolivia, where women work longer hours to compensate

for a decline in their husbands' wages (Pradhan and Van Soest 1997, cited by Lay and Wiebelt 2001).

There is some evidence that the increase in female participation may have occurred in low-quality jobs. This could be due to discrimination, lower education, or the decline in better quality work, although the need to combine work with childcare is likely to be key.⁷ The importance of childcare is underscored by Deutsch's (1998) study of childcare in 15 *favelas* in Rio de Janeiro. She concludes that increased low-cost childcare in Rio's *favelas* raised mothers' labor force participation as well as their use of public care. Deutsch finds that the most expensive care options (and therefore the least affordable to the poorest) are the most effective, because of the greater flexibility they offer mothers in terms of hours they can work.

Perlman (2003) documents the increase in paid at-home employment for women in Rio de Janeiro over the past 30 years. This type of arrangement, which allows poor women to combine unpaid housework and paid work, may have offset the decline in the demand for live-in domestic help, but it comes with greater insecurity in earnings.

Hallman and others (2002) show that increased female participation in Guatemala is mostly in low-quality, high-insecurity, part-time jobs that offer the opportunity of combining work with some childcare activities. About 40 percent of low-income working mothers take care of their children while working. Almost 30 percent leave their children with another household member, and about as many leave them in the homes of relatives or neighbors. The absence of childcare is likely to have a particularly large effect on recent immigrants, who may have weaker social networks. As the economies of Latin America and the Caribbean become more formal, women may find it more difficult to combine working and raising children.

Increased Unemployment

The rise in open unemployment is a relatively recent development in Latin America's urban labor markets, where it has become an increasingly acute problem in Argentina, Colombia, Chile, Uruguay, and Venezuela (Saavedra 2003). The increase, from relatively low levels at the beginning of the 1990s, has been ascribed to macroeconomic stability, which has prevented real wages from adjusting downward (exceptions were the Tequila crisis in Mexico and the 2000 crisis in Argentina, during which real wages fell precipitously and labor markets adjusted mostly through prices). Skill-intensive technological progress and increasing participation following crises, especially by women, may also be driving this trend (de Ferranti

and others 2003). Arias (2001) documents how the slow speed of job creation in Argentina and Costa Rica affected older workers and those with higher education, who had difficulties getting reemployed, not only the low-skilled young, who traditionally experience problems entering the labor market.

Changes in the Sectoral Distribution of Jobs

During the 1990s Latin America and the Caribbean saw a reduction in the share of manufacturing jobs, an increase in the share of service jobs (both high- and low-skill), and a decrease in public sector employment (Saavedra 2003). These patterns varied across countries. In Peru, for example, manufacturing declined from 13 percent of total employment in 1994 to 9 percent in 2000. In Argentina unskilled services expanded from 16 percent of total employment in 1992 to 23 percent in 1997, while skilled services' share of total employment declined (from 22 to 16 percent) and manufacturing stagnated (Saavedra 2003).

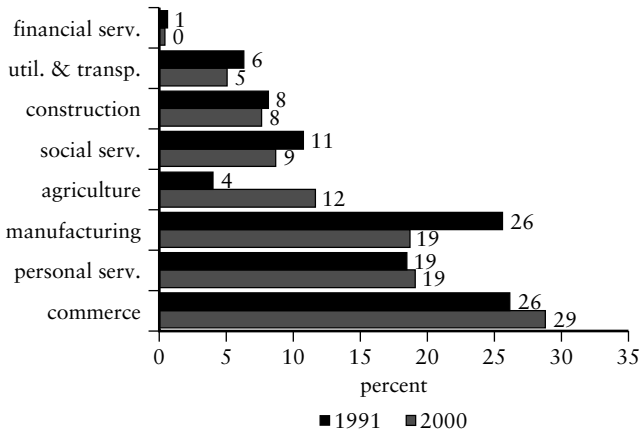
This shift in employment patterns has been accompanied by increasing demand for skilled workers, especially workers with tertiary education, as foreign direct investment and appreciating exchange rates favored the adoption of new technologies. (Mexico, where low-skilled workers have fared relatively better than higher-skilled workers in recent years, is an exception.) These sectoral changes have been felt strongly in urban areas. For example, the manufacturing share of employment in the six main Brazilian metropolitan areas (Porto Alegre, São Paulo, Rio de Janeiro, Belo Horizonte, Salvador, and Recife) fell more than 16 percent between 1991 and 2002, for a total employment loss of 600,000 jobs (Urani 2003).

Although the brunt of these changes has affected the middle class, and in some cases the upper-middle class, they have had at least second-round effects on the demand for labor of the urban poor by affecting the demand for low-paid, low-skill jobs such as maids, caretakers, and porters. There is also evidence that some form of "grade inflation" (whereby the schooling requirements for jobs has risen) may have taken place for jobs traditionally held by low-skilled workers, such as garbage collectors (Perlman 2003). In Mexico there is evidence of a strong direct effect on the employment of the poor, with the share of the poor employed in manufacturing falling from 26 percent in 1991 to 19 percent in 2003 (figure 2.4).

Increases in Informal Sector Jobs

Informality is not a particularly urban phenomenon: it is more prevalent in rural areas. Arguably, however, in urban areas some of its characteris-

Figure 2.4 In Mexico the percentage of the urban poor employed in good jobs fell between 1991 and 2000



Source: Montes and Santamaria 2004.

tics (such as the lack of worker protection and the ease of dismissal) have a greater bearing on the living conditions of the poor, due to their dependence on the cash economy and the difficulty of diversifying household coping strategies away from selling labor. Access to other strategies, such as relying on informal support networks, may be more limited in urban than in rural areas (see chapter 6).

The informal sector accounts for about 70 percent of the employment of the urban poor, a much higher share than for richer groups (the average for all urban employment is 45 percent, the figure for the top quintile is 32 percent). A monotonic decline in informality by quintile is found throughout the region, with the exception of El Salvador and Jamaica. The lowest shares of adults in the bottom quintile working in the informal sector are found in El Salvador and Venezuela (about 36 percent), while Bolivia, Ecuador, and Paraguay record the highest shares (about 86 percent) (annex table 2A.8).

The expansion of informal employment has been linked to the slowdown of the economy at the end of the 1990s and the rise in nonwage costs (Saavedra 2003). The interpretation of this trend depends on how one views the sector. Some informal activities are low value-added, have low capital requirements, and expand at times of crisis due to the lack of barriers to entry, despite the possible decline in market demand. Some economists claim that in Latin America and the Caribbean the share of

informal jobs within urban employment rises especially quickly in the economies most affected by recession (Gilbert 1997).

On the other hand, Maloney (2002) has shown evidence of the procyclical nature of the informal sector in Brazil and Mexico. This supports a more dynamic view of the informal sector. It suggests that the rise of informality should not be seen as a cause of the deteriorating working conditions of the urban poor, which are driven by the low skill level of many urban residents and problems with formal training and apprenticeship systems. Instead, it is the differential between the cost to the employer and the perceived benefits to the workers of social security systems, combined with low national productivity, that makes low-technology and low-capital production a good alternative to formal sector jobs.

At the core of this view is the fact that the informal sector is composed largely of self-employed workers.⁸ The evidence (reviewed in Maloney 2002) suggests that these microentrepreneurs have moved voluntarily to the sector rather than being forced into it by the dual structure of the labor market. Such a move is often fostered by having accumulated skills, capital, and contacts by working in the formal sector, by wanting to be "one's own boss," or by facing obstacles to career progression in the formal sector due to low levels of formal education.

The lack of security and social protection that characterizes the informal sector is a source of concern. But the high levels of firm mortality and the need for entrepreneurs to cover their own insurance expenses are common to all small enterprises—formal or informal, in developing or developed countries. Maloney (2002) suggests that as they grow and become more established, small firms start complying with different aspects of regulation and become more formal by degrees.

Concerns remain, however, about the low quality of jobs of salaried workers in the informal sector, who enjoy neither the sense of autonomy of being their own bosses nor the security of a formal sector job, and for workers performing unpaid work in family businesses. The issue is more appropriately framed as one of low quality of work in general for those who have low skills, as there seems to be little difference between the formal and informal jobs they can access. Maloney (1999) reports that in Mexico the urban labor market is fluid and integrated: there is a continuum between formal and informal activities, informal jobs are found in formal enterprises, and workers often hold different types of jobs at the same time.⁹ Evidence from both Argentina and Mexico suggests that salaried informal jobs can act as entry points into the labor market for younger workers, who move into formal sector jobs after a relatively brief tenure.

Use of Labor in Times of Crises

Labor markets stand at a crucial junction between the macro and micro environments households live in, a link that is often brought up when discussing the effects of growth on the poor (see chapter 1). Both the specific sources of opportunities and vulnerability that the macro environment offers and the way households respond to them are mediated largely by the labor market.

Based on the literature that shows the positive effects of growth on the poor, one would expect that in the aggregate a crisis would negatively affect them. The literature on the United States offers evidence that growth in the metropolitan economy is particularly pro-poor (Bartik 1993). This result can be explained in a variety of ways. If the labor market is segmented and good jobs are rationed, workers may be required to queue to access them, and the queues may be particularly long for disadvantaged workers. By shortening the queues, economic growth may therefore be particularly beneficial for the poorest workers. Other explanations for the effects of growth on poor people's jobs focus on the supply elasticities of different groups and on the skill intensity of the jobs created or lost.

In Latin America the issue has been analyzed in terms of the impact of shocks on labor markets. Fallon and Lucas (2002) find that total employment continued to rise through the 1995 crisis in Mexico (when GDP declined more than 6 percent) and that it declined by less than 3 percent in Argentina (when GDP contracted 4 percent). Increases in employment can, however, also be consistent with increased unemployment, as households cope with the fall in income due to the crisis by increasing their participation and more people look for jobs.¹⁰

At the micro level, labor market status affects the specific sources of vulnerability households face, with the sectoral distribution of the shocks and the educational levels of the workforce important elements of the transmission mechanism. In Mexico households whose head was without work before the 1995 crisis experienced much larger proportional reductions in income than other households (Maloney and others 2003). In contrast, other groups, such as workers in the informal sector, did not experience any additional variability relative to their precrisis situation. Other studies confirm that the employment status of household members and changes in their status are likely to be the major transmission channel of macroeconomic crises to households. A study of the 2001–2 Argentine crisis finds that becoming unemployed was the largest shock to household income and that the probability of unemployment varied across sectors and educational levels. Public sector workers were less likely to lose their

Table 2.2 Argentine households used a variety of labor-market-related strategies to cope with the 2001–2 Crisis

<i>Strategy</i>	<i>Percent of all households that used strategy</i>	<i>Percent of households reporting a reduction in income that used strategy</i>
Increase participation of family members in labor market	13.4	16.1
Work more hours	14.8	19.2
Increase home manufacture	59.9	62.6
Dismiss domestic workers or reduce domestic services	35.3	40.4
Migrate	4.1	3.9

Source: Fiszbein, Adúriz, and Giovagnoli 2002.

jobs, while in the private sector, construction workers were the most vulnerable. Better educated people were less likely to become unemployed than people with less education, and households with public sector workers or more educated heads were less likely to suffer income losses (Pessino and Andres 2003).

Given the high macroeconomic volatility the region has experienced, the issue of how households adjust their labor market behavior following crises, and the longer term repercussions of these strategies, have attracted a great deal of attention.¹¹ During the Argentine crisis, households adopted a variety of strategies (table 2.2). As these decisions are often part of householdwide strategies, their intrahousehold consequences also need to be analyzed.

A few qualitative studies analyze in detail the labor market implications of household coping strategies. Fuchs (2001) finds that 36 percent of workers in Puebla increased their working hours during the 1994–95 Mexico crisis. Blue-collar and white-collar employees resorted to finding alternative jobs. A much lower share of the self-employed held more than one job. Together with intensifying their use of labor, households also increased participation by other family members. Women, whose qualifications are lower on average, found it difficult to enter the manufacturing sector and resorted to informal petty trading activities. Finally, when the crisis meant losing jobs, people changed sector of activity. Those with higher skills as well as some capital provided by severance payments moved more easily than others into self-employment. Less qualified

workers often remained unemployed despite vacancies in some textile factories, as wages fell too low to make working worthwhile.

Analyses of coping strategies highlight the importance of the combination of assets households command (Fuchs 2001). A household's portfolio matters for a variety of reasons. First, assets are complementary. Second, shocks affect households through variations in the returns to household assets, particularly human capital, so that portfolio composition affects household-specific sources of vulnerability. In Brazil, for example, education is associated with a lower probability of making a transition into poverty and a higher probability of making a transition out of poverty following a crisis (de Ferranti and others 2000). In other crises, however, the better educated have been more affected (for a discussion of urban Mexico in 1995, see McKenzie 2003).

The intrahousehold consequences of the labor market strategies adopted by the household have raised significant concern. Cunningham (2001b) documents how increased female participation in work outside the house is accompanied by a decrease of only half of the hours spent doing housework, resulting in both a decrease of the overall time spent on housework activities, which may affect the welfare of household members, and a decrease in women's leisure. Moreover, women's burden may rise through increased reliance on home production, so that working hours may become longer without a visible change in women's work status.

The recourse to children's labor following crises has also attracted a great deal of attention. Theory suggests that the effects of shocks on children's labor supply are potentially ambiguous, as they depend on the relative importance of substitution effects (child labor may become less attractive, due to the lower opportunity cost of sending children to school) and income effects (if there is a subsistence constraint, parents may resort to child labor to boost household income). Which effect will prevail is likely to depend on the circumstances, especially the depth of the crisis. The empirical evidence on this issue is mixed.

The overall evidence suggests that even if child labor does not necessarily increase during crises, children may suffer important disruptions to their learning process. In metropolitan Brazil child labor seems to be at least mildly procyclical, increasing with economic growth rather than at times of crisis (de Ferranti and others 2000; Duryea and Arends-Kuenning 2003). This seems to be the case in Mexico as well (Maloney 2002). It is likely, however, that different groups may be affected differently. The evidence suggests that if the option of working in family-run activities is available, the opportunity cost of studying may be higher, though not enough to withdraw children from school. In Brazil this effect has resulted in increased repetition, which can have longer-term effects for children.¹²

Child labor market status and educational outcomes are not associated in a simple way. Cross-country analysis shows that school enrollment is negatively correlated with income and employment volatility in low-income countries (Flug, Spilimbergo, and Wachtenheim 1998, quoted in Duryea and Arends-Kuenning 2003). But such negative correlation does not necessarily hold. De Ferranti and others (2000) find that in metropolitan Brazil, school enrollment, in contrast to child labor, does not vary over the cycle. And Schady (2002), looking at school attendance in Peru over the 1988–92 period, finds that the crisis did not affect attendance by school-age children, while it increased mean educational attainment. He suggests that declining opportunities in the labor market meant that parents could put more effort into investing in their children's education. This argument points to the complexity of educational outcomes, reinforced by the consideration that these outcomes also depend on a variety of complementary inputs. What happens to these other expenditures can be a cause of concern.

In Uruguay during the recent crisis, 71 percent of households with children (86 percent in the bottom wealth quintile, 49 percent in the top one) declared that they had curtailed educational expenditures during 2002, while only 6 percent admitted to having their children drop out of school or delay entry into the system (Ridao-Cano 2003). It is too early to evaluate the consequences of such cuts in expenditure.

Finally, labor market-related changes can affect the welfare of various household members, through various channels. About 12 percent of Argentines experienced some change in health insurance coverage as a result of the recent crisis, with 60 percent (concentrated in the lowest income groups) losing all coverage (Fiszbein, Adúriz, and Giovagnoli, 2002). Other, more indirect effects are due to changes in expenditure in health and education, which may affect the stock of human capital of household members. Examples include arranging fewer medical checkups for children (a strategy adopted by 37 percent of Argentine households with children under 12 reported) and reducing educational inputs (72 percent of households reduced their purchases of school materials, 2.0 percent substituted private school for public ones, and 3.1 percent turned to cheaper private schools).

Conclusion: How to Make Labor Markets Work Better for the Urban Poor

Throughout Latin America and the Caribbean, the urban poor are crucially dependent on labor, although the extent to which they use labor, as measured by employment, unemployment, and participation, varies

greatly by country and gender. During the 1990s several important changes in the labor market occurred. Female participation rose; open unemployment increased; the sectoral composition of jobs changed, with a decrease of manufacturing and public sector employment; and the informal sector grew. The urban poor are at increased risk of unemployment, and the quality of the jobs they can access is low. Skill levels, and the low quality of education and training available to them, are important barriers to obtaining better jobs. This is particularly worrisome in light of the decline in the sectors with relatively well-paid low-skill jobs. Access to good jobs is also likely to be hindered by lack of appropriate transportation to and from areas where urban poverty is concentrated; by gender, ethnic, and racial discrimination; and by the stigma of coming from an impoverished neighborhood. Access to good jobs is particularly poor for women, both because of their lower skill levels and because the increase in their labor-market participation has come about without significant changes in gender roles or the availability of childcare. The result may be an increased concentration of women in low-paying and casual jobs that offer the possibility of reconciling their market and nonmarket responsibilities.

Labor markets are the main channel through which the urban poor are affected by macroeconomic developments, positive or negative. But the impact of economic crisis on the urban poor and the coping strategies they adopt are context and crisis specific. At the aggregate level, the poor may or may not be the most affected by a crisis, and the way they adapt to the shock—generally centered on intensifying the use of labor—may result in increased employment or unemployment, as more labor is supplied. At the micro level, household vulnerability to a given shock depends on the labor-market status of household members, the sectors in which they work, their educational levels, and the overall composition of their asset portfolios. A key insight that emerges from the analysis of the impact of and response to crises at the household level is that the burden of adjusting household labor supply may fall disproportionately on particular household members. The evidence on the effect of crises on child labor is very mixed. Finally, coping strategies may have a negative impact on the present or future labor market performance of the poor if they result in decreased spending on schooling or other complementary inputs.

What are the policy implications of these results? In particular, what active labor market policies could help increase demand for low-skilled workers or improve their earning ability?¹³ With the exception of childcare and urban transport policies, the recommended policies are not urban specific. Instead, they include training and education policies that

affect the supply of labor. Evaluations suggest that the impact of training programs is positive, although small. It takes a very large effort to provide sufficient effective training to make a difference.¹⁴ As to broader education policies, they need to focus on increasing quality and improving the skills level of students who will eventually hold low-skill jobs (Freeman and Gottschalk 1998).¹⁵

Active labor market policies that tackle the demand for labor include policies to reduce the cost of employing the disadvantaged, public employment schemes, and employment regulations.¹⁶ Evidence from the United States suggests that wage subsidies have succeeded in raising demand for youth, albeit only modestly (Katz 1998). In contrast, subsidies to employers to locate in particular impoverished areas have been shown not to be cost effective (Gramlich and Heflin 1998). The conclusion, then, is that subsidy policies should target disadvantaged individuals rather than disadvantaged areas. Public employment programs for targeted groups appear to increase employment of the targeted group, but they have little impact on future wages or skills (Gottschalk 1998). It is not clear how realistic such programs are in Latin America and the Caribbean, given public sector retrenchment and bloated public labor forces. Regarding employment regulations, many Latin American countries could benefit from more flexible hiring rules. (Redesigning social security, including unemployment insurance, to make it available to informal and self-employed workers is discussed in chapter 8.)

Local governments can encourage job creation through local economic development policies. Local economic development has become increasingly popular over the past decade, fueled partly by the decentralization explosion and partly by the well-publicized success of a few cities. It is based on the premises that favorable local business conditions are necessary for achieving prosperity and that local governments have an essential role to play in creating favorable environments for business success and job creation. Local economic development thus requires a partnership between local governments, business, and community interests that seek to reduce the obstacles to growth and attract the investment needed to develop their economic and employment base.

Local economic development efforts that work tend to be the ones that mobilize a city's stakeholders to identify local strengths, bottlenecks, and market opportunities and commit to joint actions. This often includes actions to attract new firms or industries. To be effective these activities should aim to enhance comparative advantage and avoid costly efforts to simply compete with other locations through tax and public investment incentives, which can lead to an expensive race to the

bottom. Although there are a number of well-documented successes, they appear to be based on idiosyncratic circumstances and are therefore hard to replicate.¹⁷

The findings of this chapter suggest a three-pronged strategy for increasing the returns to labor of the urban poor and facilitating their access to jobs, particularly better quality jobs:

- *Increase the supply of labor.* Interventions in this area should include providing women with better ways of balancing their household and market activities. Child (and possibly elder) care play a crucial role in this respect, especially if designed to accommodate flexible work hours. In addition, interventions targeting tangible barriers to entry (such as affordable and reliable urban transport) or intangible ones (such as actions to reduce discrimination) are likely to have positive effects on the labor supply of the poor.
- *Increase returns to labor.* Improving skills and the quality of education and training available to poor people is key to increasing their employability, the returns they can receive for their work, and their flexibility, particularly during crises. Well-targeted and designed training programs can have a positive impact, although their effect is likely to be small.
- *Help poor people find work during crises.* Together with social insurance (notably unemployment insurance), measures are needed to help affected groups find work during crises. Measures include income-generating activities, such as workfare (discussed in chapter 8 in the context of social safety nets) and job-matching services, with which the OECD has had success (see Martin 1998).

Annex

Unless otherwise noted the statistical information for this annex was provided by Leo Gasparini and his team at the Universidad Nacional de la Plata (Buenos Aires). He was commissioned to produce disaggregated urban and rural data from the latest available surveys for Latin America and the Caribbean for a variety of indicators.

Table 2A.1 Sources of Household Income in Urban Areas, by per Capita Household Income Quintile (percent)

<i>Country</i>	<i>Labor income</i>					<i>Capital, income rents and profits</i>					<i>Pensions</i>					<i>Transfers</i>				
	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5
Argentina 2001	79.1	80.7	77.4	75.3	78.4	0.9	1.5	1.1	1.6	4.4	9.8	12.6	17.2	18.9	13.2	10.2	5.2	4.2	4.2	4.1
Bolivia 2002	91.2	92.0	89.5	88.7	79.8	1.3	0.6	1.1	2.2	8.0	0.0	0.6	2.5	2.1	4.2	7.5	6.8	6.9	7.0	7.9
Brazil 2001	79.2	81.5	79.5	81.0	77.8	2.7	1.5	1.2	1.5	3.4	15.2	15.7	18.6	16.8	18.3	2.9	1.3	0.7	0.7	0.5
Chile 2000	73.4	79.2	81.5	77.5	81.4	—	—	—	—	—	4.4	7.3	8.0	11.1	6.6	7.5	4.3	1.8	0.7	0.1
Colombia 1999	78.6	83.7	85.2	83.5	79.4	4.9	2.7	3.1	3.6	6.0	0.9	5.1	4.7	7.4	8.5	13.0	6.6	5.8	4.4	5.2
Costa Rica 2000	78.3	83.7	90.1	89.9	88.3	—	—	—	—	—	6.7	9.5	5.2	6.0	7.2	15.0	6.8	4.7	4.1	4.4
Dominican Republic 1997	72.5	83.2	86.1	85.5	85.3	3.5	1.9	1.8	2.0	2.4	3.2	2.7	1.7	1.5	5.0	20.8	12.1	10.5	11.0	7.3
Ecuador 1998	86.9	92.2	94.3	93.5	91.8	2.5	1.8	1.5	1.6	4.7	—	—	—	—	—	—	—	—	—	—
El Salvador 2000	74.0	79.6	83.8	85.9	84.8	1.3	0.9	1.4	0.9	2.8	2.7	5.8	5.9	4.7	6.1	19.1	11.2	6.7	6.1	4.3
Guatemala 2000	88.9	94.6	87.5	89.3	75.6	0.4	0.2	0.5	0.4	5.8	1.3	1.1	3.2	3.4	3.6	9.4	4.1	8.8	6.9	15.1

(table continues on the following page)

Table 2A.1 (continued)
(percent)

<i>Country</i>	<i>Labor income</i>					<i>Capital, income rents and profits</i>					<i>Pensions</i>					<i>Transfers</i>				
	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5
Honduras 1999	86.9	92.6	94.1	95.5	93.6	2.6	1.2	1.0	1.0	3.4	1.0	0.9	0.7	0.5	0.8	9.5	5.2	4.2	3.0	2.2
Jamaica 1999	100.0	98.3	98.9	100.0	99.2	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Mexico 2000	91.8	93.6	93.3	92.8	89.2	0.8	0.4	0.8	0.7	2.4	3.9	3.7	3.9	4.0	6.6	3.5	2.3	2.0	2.5	1.9
Nicaragua 2001	84.3	92.2	92.6	91.9	90.6	0.0	0.8	0.2	0.6	6.0	3.3	1.8	2.9	1.9	1.0	12.5	5.2	4.5	5.6	2.4
Panama 2000	56.2	78.5	78.6	79.4	75.8	0.9	0.7	1.3	0.9	2.1	5.9	7.9	10.4	13.1	16.3	36.6	12.4	8.8	5.8	3.7
Paraguay 1999	75.0	88.4	87.9	88.7	86.4	4.3	0.6	1.5	1.5	3.4	3.1	0.6	2.6	3.4	5.8	17.5	10.4	7.9	6.4	4.5
Peru 2000	83.7	86.5	87.4	86.4	81.6	0.9	1.0	0.8	1.3	3.2	0.8	3.5	4.5	7.5	9.4	14.5	9.0	7.2	4.7	5.8
Uruguay 2000	72.4	70.9	68.3	68.2	67.7	0.3	0.6	1.1	1.6	5.6	14.5	20.9	24.4	25.3	24.3	12.8	7.6	6.1	4.9	2.4
Venezuela 1998	90.3	95.5	94.3	94.9	93.8	1.0	0.5	0.5	0.4	1.0	—	—	—	—	—	8.6	3.8	4.7	4.2	4.9

Note: — = not available.

Table 2A.2 Sources of Household Income in Rural Areas, by per Capita Household Income Quintile (percent)

<i>Country</i>	<i>Labor income</i>					<i>Capital, income rents and profits</i>					<i>Pensions</i>					<i>Transfers</i>				
	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5
Bolivia 2002	92.7	91.3	91.6	91.4	85.8	0.3	0.8	0.8	0.6	3.5	0.0	0.6	1.4	2.0	3.4	7.1	7.2	6.3	6.0	7.3
Brazil 2001	85.3	79.3	74.0	80.0	81.5	4.4	1.9	1.1	1.9	5.2	9.1	18.2	24.7	17.7	12.9	1.1	0.6	0.2	0.4	0.3
Chile 2000	69.7	74.7	75.7	77.2	76.9	—	—	—	—	—	4.2	6.9	9.6	10.6	5.3	12.3	8.0	4.4	1.9	0.4
Colombia 1999	90.1	91.3	91.5	89.8	89.3	1.5	1.3	1.4	1.9	3.3	0.3	1.2	2.3	3.8	3.8	7.5	5.7	4.3	4.2	3.5
Costa Rica 2000	84.9	91.4	92.9	93.7	89.9	—	—	—	—	—	3.6	3.8	2.9	3.5	3.4	11.4	4.8	4.2	2.8	6.7
Dominican Republic 1997	85.5	87.3	90.4	88.8	83.8	0.9	0.2	0.6	0.6	0.8	1.4	1.6	0.8	0.7	0.6	12.1	11.0	8.2	9.9	14.9
Ecuador 1998	94.0	95.5	96.8	96.5	91.3	0.7	0.9	0.7	0.9	4.5	—	—	—	—	—	—	—	—	—	—
El Salvador 2000	78.9	88.3	90.3	91.0	90.6	0.6	0.1	0.2	0.3	0.5	0.9	0.8	1.7	2.3	1.5	17.3	8.1	5.5	3.6	4.2
Guatemala 2000	93.4	89.5	89.6	87.0	76.9	0.0	0.1	0.1	0.4	1.6	0.5	1.5	1.0	1.3	2.0	6.1	8.9	9.3	11.4	19.5
Honduras 1999	91.0	94.4	96.4	97.2	97.8	1.6	1.1	0.8	0.3	0.5	0.1	0.1	0.4	0.3	0.4	7.3	4.3	2.4	2.2	1.3

(table continues on the following page)

Table 2A.2 (continued)
(percent)

<i>Country</i>	<i>Labor income</i>					<i>Capital, income rents and profits</i>					<i>Pensions</i>					<i>Transfers</i>				
	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5
Jamaica 1999	96.6	96.7	97.5	98.1	95.8	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Mexico 2000	81.4	84.3	82.3	85.0	79.6	0.5	0.3	0.5	0.8	1.5	0.8	1.8	2.3	1.8	2.0	17.2	13.6	14.9	12.3	16.8
Nicaragua 2001	93.4	94.5	94.9	94.9	89.4	0.3	0.2	0.5	0.7	3.6	0.3	0.3	0.8	0.6	4.5	6.0	4.9	3.7	3.8	2.5
Panama 2000	63.1	76.7	80.5	80.5	76.9	0.2	0.7	0.8	1.1	2.8	3.3	6.2	8.9	11.0	12.2	32.6	14.9	8.3	5.8	5.0
Paraguay 1999	82.9	85.4	86.0	85.9	90.5	0.4	0.2	0.1	0.7	2.4	0.4	0.7	3.5	4.6	3.4	16.3	13.6	10.5	8.8	3.7
Peru 2000	92.1	93.6	93.5	89.9	83.6	0.4	0.8	0.9	0.8	2.9	0.4	1.3	2.6	3.7	7.2	7.0	4.3	3.1	5.6	6.4
Venezuela 1998	87.2	91.8	92.4	92.7	93.0	1.0	0.9	0.6	0.7	1.7	—	—	—	—	—	10.2	6.3	6.1	5.8	4.6

Note: — = not available.

Table 2A.3 Percentage of Employed and Unemployed Adults in Urban Areas, by Gender and per Capita Income Quintile

<i>Country</i>	<i>% female adults employed</i>						<i>% female adults unemployed</i>						<i>% male adults employed</i>						<i>% male adults unemployed</i>					
	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total</i>
Argentina 2001	34.0	31.6	42.1	54.4	69.5	48.7	12.4	9.5	9.7	6.0	3.5	7.7	58.2	73.6	77.7	81.2	91.3	78.4	33.6	18.0	13.1	10.7	2.9	13.9
Bolivia 2002	50.3	54.9	62.1	71.1	70.5	65.7	4.7	5.5	4.4	2.6	4.5	4.1	82.3	88.1	91.2	90.3	91.1	90.2	10.0	4.1	2.8	4.0	2.3	3.4
Brazil 2001	38.2	45.3	51.9	58.3	65.0	54.4	10.8	7.5	5.6	4.5	2.6	5.4	73.3	81.7	84.4	86.7	88.7	84.6	13.2	6.4	4.3	2.9	1.7	4.5
Chile 2000	23.9	32.6	45.1	51.3	66.5	46.9	10.4	7.4	4.3	3.0	2.3	4.9	67.6	82.0	84.4	86.5	90.8	83.9	21.9	8.9	6.4	4.1	1.7	7.1
Colombia 1999	40.7	39.5	44.8	54.6	64.7	52.8	17.6	15.9	12.8	8.2	5.8	10.2	68.2	76.5	82.7	84.8	86.1	82.3	25.3	16.1	11.0	7.8	5.6	10.3
Costa Rica 2000	26.9	28.0	37.8	49.1	62.6	47.2	7.3	2.8	2.0	1.5	1.1	2.1	70.5	88.3	90.2	90.4	92.7	89.8	13.7	2.1	1.6	2.0	1.3	2.4
Dominican Republic 1997	17.9	30.5	38.5	49.3	61.9	45.1	18.8	18.8	11.9	7.8	6.1	10.8	65.3	84.1	87.5	87.5	93.4	87.3	22.5	9.2	6.2	5.9	2.5	6.6
Ecuador 1998	52.1	49.2	54.4	59.7	73.0	61.4	3.0	3.2	4.4	2.0	1.2	2.4	63.1	89.4	94.5	94.4	97.1	92.7	21.6	2.3	1.9	1.9	0.7	2.8
El Salvador 2000	56.4	57.2	59.6	66.8	70.4	64.2	2.7	2.6	1.8	1.0	0.9	1.5	80.7	77.3	85.5	86.6	88.8	85.5	9.5	9.5	5.8	5.3	2.9	5.4
Guatemala 2000	39.8	37.7	47.1	51.1	60.1	52.5	6.1	0.7	0.6	1.4	1.6	1.5	78.4	92.9	91.9	87.2	90.3	89.5	1.7	1.0	2.0	2.2	1.5	1.7

(table continues on the following page)

Table 2A.3 (continued)

<i>Country</i>	<i>% female adults employed</i>						<i>% female adults unemployed</i>						<i>% male adults employed</i>						<i>% male adults unemployed</i>					
	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total</i>
Honduras 1999	47.3	46.9	53.0	65.7	72.4	61.4	2.0	2.2	2.3	1.8	1.0	1.7	74.7	86.4	91.6	93.1	95.4	91.5	10.7	7.5	3.3	3.5	1.2	3.6
Jamaica 1999	73.1	75.6	67.3	75.2	87.4	77.8	3.9	8.0	4.4	2.2	1.5	3.4	81.6	82.0	89.7	95.6	97.9	92.6	6.6	7.7	0.0	1.6	0.0	1.9
Mexico 2000	42.3	36.8	40.0	52.4	56.9	47.8	0.6	0.1	0.3	0.3	0.6	0.4	85.5	90.6	91.3	92.8	93.2	91.8	2.3	1.4	1.7	0.8	1.1	1.3
Nicaragua 2001	34.9	46.8	53.3	56.2	65.7	55.8	10.7	3.1	5.4	5.2	3.8	4.9	63.8	82.9	81.9	85.9	87.4	84.0	20.9	12.6	6.7	5.8	4.3	7.2
Panama 2000	26.8	28.3	39.2	53.7	67.0	50.1	11.3	7.5	5.6	3.7	1.9	4.5	61.0	75.3	81.7	85.5	87.6	82.9	25.0	15.7	10.5	4.9	2.8	7.7
Paraguay 1999	34.8	36.2	49.4	57.2	75.6	58.4	4.8	3.2	4.5	3.7	1.6	3.1	62.1	88.3	85.5	89.0	91.8	88.2	22.1	5.8	3.5	3.9	1.7	3.9
Peru 2000	52.6	52.8	51.5	56.7	60.4	56.1	2.7	3.7	4.7	3.7	2.0	3.3	77.6	78.2	88.8	86.2	87.8	85.9	9.6	9.3	4.7	3.7	2.6	4.5
Uruguay 2000	38.3	45.4	56.0	64.3	70.4	56.6	15.1	12.2	7.7	5.5	2.8	8.0	79.3	79.8	83.9	86.5	89.9	84.4	11.8	9.4	5.3	4.0	1.7	6.0
Venezuela 1998	36.8	38.8	56.0	62.8	66.9	60.5	10.2	7.5	4.1	3.8	2.4	3.8	76.5	89.5	84.4	91.5	94.1	91.0	11.7	3.0	9.2	2.6	1.7	3.5

Table 2A.4 Percentage of Employed and Unemployed Adults in Rural Areas, by Gender and per Capita Income Quintile

Country	% female adults employed						% female adults unemployed						% male adults employed						% male adults unemployed					
	1	2	3	4	5	Total	1	2	3	4	5	Total	1	2	3	4	5	Total	1	2	3	4	5	Total
Bolivia 2002	81.5	71.7	61.6	64.0	69.0	73.6	0.4	1.6	2.3	2.1	0.0	1.1	98.3	98.0	97.9	98.3	97.3	98.1	0.0	0.2	0.9	0.0	0.3	0.2
Brazil 2001	67.6	63.7	68.4	72.5	72.1	67.6	1.8	2.0	1.6	1.4	0.4	1.7	94.8	93.6	92.0	95.9	96.2	94.2	1.0	1.1	0.3	0.6	0.3	0.8
Chile 2000	13.2	20.8	29.5	38.8	49.5	23.9	3.0	2.0	1.2	1.0	0.5	2.0	76.1	84.3	87.8	91.6	93.1	84.0	9.1	4.7	2.8	1.6	1.2	5.0
Colombia 1999	30.4	29.9	36.4	47.5	60.5	37.3	4.2	4.7	4.3	2.7	1.7	3.9	89.0	90.0	90.8	92.8	94.8	90.9	4.4	2.1	1.7	1.2	0.8	2.4
Costa Rica 2000	17.2	24.2	30.8	39.9	52.0	30.3	1.5	0.6	1.5	1.4	0.9	1.2	83.0	90.4	94.3	94.6	95.0	91.1	4.5	2.2	1.5	1.8	0.7	2.3
Dominican Republic 1997	13.3	20.2	28.4	45.7	50.4	27.9	12.8	8.9	8.2	3.3	4.3	8.3	83.0	90.4	94.5	95.4	95.9	91.7	10.2	3.3	1.8	0.5	0.6	3.4
Ecuador 1998	60.4	55.3	65.7	75.0	65.7	62.5	0.6	0.6	0.0	0.1	0.0	0.4	95.6	95.6	96.8	98.5	96.6	96.4	0.7	0.7	0.8	0.6	0.7	0.7
El Salvador 2000	31.1	40.7	44.6	59.3	68.7	43.4	1.2	2.0	1.0	0.3	0.4	1.2	85.6	87.3	90.2	89.9	91.1	88.2	7.8	7.0	4.0	3.4	1.9	5.6
Guatemala 2000	27.6	32.8	36.8	45.0	41.7	35.3	0.4	0.0	0.0	0.8	0.0	0.2	92.3	94.0	94.7	95.1	91.2	93.6	0.7	0.1	0.7	0.4	0.1	0.5
Honduras 1999	28.6	31.1	44.2	50.8	64.2	40.5	1.1	0.8	0.0	0.0	0.4	0.5	93.4	95.7	95.9	96.5	98.1	95.7	1.4	1.5	1.8	0.4	0.5	1.2

(table continues on the following page)

Table 2A.4 (continued)

<i>Country</i>	<i>% female adults employed</i>						<i>% female adults unemployed</i>						<i>% male adults employed</i>						<i>% male adults unemployed</i>					
	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total</i>
Jamaica 1999	54.7	63.3	66.8	80.5	83.6	69.6	9.3	12.7	8.5	1.7	3.7	7.3	91.7	93.2	91.3	96.3	99.3	95.0	0.0	2.7	3.1	0.8	0.7	1.5
Mexico 2000	36.0	38.9	43.9	54.1	46.8	39.9	0.0	0.0	0.0	0.0	0.0	0.0	91.6	91.5	89.5	94.2	95.9	91.8	0.7	0.4	2.2	0.5	0.0	0.8
Nicaragua 2001	25.0	32.7	41.3	52.3	45.1	36.1	3.8	6.7	2.6	2.3	2.6	3.9	92.4	92.3	90.9	88.3	92.8	91.5	3.9	5.2	5.5	4.0	2.1	4.3
Panama 2000	15.7	25.0	32.8	48.1	55.8	29.2	2.3	2.3	2.7	2.7	2.0	2.4	89.9	90.1	90.0	89.9	90.6	90.0	6.2	4.4	3.2	3.5	1.5	4.3
Paraguay 1999	41.6	49.6	60.2	61.2	67.4	52.2	0.7	1.8	0.5	0.8	0.0	0.9	95.0	94.2	93.9	94.7	97.3	94.9	1.2	1.8	1.3	0.7	2.0	1.4
Peru 2000	82.6	76.4	76.3	77.2	77.1	79.1	0.1	0.8	0.7	0.0	0.0	0.4	97.8	97.5	97.6	97.9	99.1	97.8	0.4	0.3	0.3	0.0	0.0	0.3
Venezuela 1998	37.0	40.4	49.5	58.0	66.6	50.6	7.3	6.5	4.6	4.3	3.2	5.1	78.5	85.0	87.4	89.3	94.2	87.4	14.0	9.6	7.2	4.9	1.9	7.1

Table 2A.5 Percentage of Female Adults by Education Level and per Capita Income Quintile

<i>Country</i>	<i>Education level</i>																	
	<i>Low</i>						<i>Medium</i>						<i>High</i>					
	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total</i>
Argentina 2001	73.6	60.1	47.3	33.3	11.7	41.3	22.5	32.6	39.5	39.6	36.3	34.9	3.9	7.3	13.2	27.1	51.9	23.8
Bolivia 2002	78.3	73.3	70.1	55.1	30.0	53.3	19.0	21.4	23.1	31.1	29.0	26.7	2.7	5.3	6.8	13.8	41.0	20.0
Brazil 2001	91.1	84.2	76.4	62.9	31.8	63.6	8.8	15.3	22.0	31.9	38.1	26.2	0.2	0.6	1.6	5.2	30.1	10.2
Chile 2000	54.4	44.1	37.0	27.7	14.5	32.8	42.9	51.4	53.7	53.8	39.4	48.1	2.7	4.5	9.4	18.5	46.1	19.2
Colombia 1999	76.7	71.2	65.1	56.5	30.3	53.1	20.9	25.6	30.2	35.8	39.9	33.4	2.4	3.2	4.7	7.7	29.8	13.5
Costa Rica 2000	80.4	64.7	54.2	43.3	22.9	43.9	18.4	32.2	38.1	42.2	32.1	34.4	1.2	3.0	7.8	14.5	45.0	21.7
Dominican Republic 1997	79.8	69.2	62.8	53.5	42.1	56.8	16.9	26.9	27.7	30.2	29.4	27.6	3.3	3.9	9.5	16.3	28.4	15.6
Ecuador 1998	72.7	64.9	55.7	46.6	26.7	45.7	20.8	28.7	32.0	35.9	38.2	33.9	6.5	6.4	12.3	17.6	35.1	20.4
El Salvador 2000	55.4	69.4	66.0	58.2	43.8	56.2	31.4	22.8	25.3	31.5	37.7	31.2	13.2	7.8	8.7	10.3	18.4	12.6
Guatemala 2000	94.6	89.5	86.7	80.2	50.6	69.7	2.9	9.5	11.1	17.1	33.1	21.8	2.4	1.0	2.2	2.7	16.2	8.5

(table continues on the following page)

Table 2A.5 (continued)

<i>Country</i>	<i>Education level</i>																	
	<i>Low</i>						<i>Medium</i>						<i>High</i>					
	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total</i>
Honduras 1999	87.5	89.3	78.4	67.4	38.4	64.1	12.0	10.3	19.7	30.3	44.0	28.7	0.5	0.5	1.9	2.3	17.6	7.2
Jamaica 1999	48.9	47.2	15.3	32.2	18.8	29.6	45.0	52.8	83.3	59.8	60.7	60.5	6.1	0.0	1.4	8.0	20.5	9.9
Mexico 2000	84.2	72.2	59.2	49.3	23.2	50.3	12.7	25.7	37.1	43.3	43.9	37.0	3.1	2.1	3.8	7.5	32.9	12.8
Nicaragua 2001	90.6	88.1	74.3	65.0	49.0	67.0	7.1	7.5	20.4	27.4	30.7	22.6	2.3	4.5	5.4	7.6	20.3	10.4
Panama 2000	52.6	42.4	35.6	30.8	11.7	28.0	42.7	50.9	51.8	46.2	36.3	44.2	4.7	6.7	12.6	22.9	52.0	27.7
Paraguay 1999	93.5	81.9	71.1	58.8	33.5	56.9	5.5	16.3	25.3	31.7	38.9	29.7	0.9	1.8	3.6	9.5	27.5	13.4
Peru 2000	62.1	52.5	41.4	33.0	18.3	34.0	30.7	37.1	42.9	42.0	38.9	39.9	7.2	10.5	15.7	25.0	42.8	26.1
Uruguay 2000	70.7	58.5	50.3	36.6	18.7	44.5	26.9	35.4	40.2	43.3	39.6	37.8	2.3	6.1	9.5	20.1	41.7	17.7
Venezuela 1998	60.4	68.2	62.5	49.2	20.2	39.5	26.8	25.3	29.8	39.3	37.1	35.0	12.8	6.6	7.6	11.5	42.7	25.4

Table 2A.6 Percentage of Male Adults by Education Level and per Capita Income Quintile

<i>Country</i>	<i>Education level</i>																	
	<i>Low</i>						<i>Medium</i>						<i>High</i>					
	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total</i>
Argentina 2001	76.7	60.4	48.7	35.2	13.0	42.6	20.9	33.1	42.8	46.5	36.4	37.0	2.4	6.6	8.5	18.3	50.6	20.4
Bolivia 2002	71.3	61.1	50.5	38.8	21.6	39.3	24.0	32.5	39.9	43.6	31.6	36.3	4.7	6.5	9.6	17.6	46.8	24.3
Brazil 2001	92.9	87.4	79.3	66.9	33.0	65.5	6.9	12.1	19.5	29.2	39.0	25.0	0.3	0.5	1.2	3.9	28.1	9.5
Chile 2000	52.3	43.6	32.9	24.7	9.5	29.2	44.4	50.9	56.1	54.2	35.9	47.8	3.3	5.4	10.9	21.0	54.6	23.0
Colombia 1999	76.4	69.8	63.4	54.0	25.1	49.9	19.3	25.5	31.5	37.3	36.6	32.8	4.3	4.7	5.1	8.7	38.3	17.3
Costa Rica 2000	73.9	61.1	54.6	43.5	23.5	41.5	22.8	35.2	36.3	40.2	33.7	35.3	3.2	3.7	9.1	16.3	42.8	23.1
Dominican Republic 1997	78.1	67.3	67.5	56.9	41.9	56.8	17.8	29.7	26.7	29.7	30.3	28.4	4.1	3.0	5.8	13.4	27.8	14.8
Ecuador 1998	65.3	69.8	50.6	48.2	26.0	44.3	28.1	22.7	36.7	32.2	31.3	31.2	6.6	7.5	12.7	19.6	42.7	24.5
El Salvador 2000	45.6	61.6	58.5	53.5	35.0	47.8	35.5	28.1	34.0	37.2	41.0	36.7	18.9	10.4	7.5	9.3	24.0	15.5
Guatemala 2000	95.0	85.4	78.2	71.4	39.0	59.8	4.4	7.3	20.4	23.0	29.6	23.2	0.6	7.4	1.4	5.6	31.5	17.0

(table continues on the following page)

Table 2A.6 (continued)

<i>Country</i>	<i>Education level</i>																	
	<i>Low</i>						<i>Medium</i>						<i>High</i>					
	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total</i>
Honduras 1999	91.7	86.8	80.4	69.8	39.7	63.6	7.2	13.0	17.8	26.9	31.4	23.9	1.2	0.1	1.8	3.2	28.8	12.4
Jamaica 1999	41.7	43.2	37.4	31.9	21.5	30.1	58.3	54.3	62.6	64.9	65.8	63.3	0.0	2.6	0.0	3.2	12.7	6.6
Mexico 2000	78.4	65.8	53.7	39.5	19.9	42.9	17.1	31.4	39.5	43.4	31.8	35.3	4.6	2.8	6.8	17.2	48.3	21.8
Nicaragua 2001	88.2	85.5	82.4	66.4	46.8	65.7	8.9	11.0	15.5	26.5	30.6	22.9	2.9	3.4	2.2	7.0	22.6	11.4
Panama 2000	55.9	47.8	38.7	30.3	11.9	28.8	40.6	47.2	52.7	53.4	38.8	46.4	3.6	5.0	8.6	16.4	49.3	24.7
Paraguay 1999	86.3	74.3	65.5	51.4	30.2	50.3	10.5	25.3	29.6	41.1	43.0	36.4	3.3	0.4	5.0	7.5	26.8	13.3
Peru 2000	46.0	42.7	28.7	23.3	13.2	24.5	45.5	43.8	51.5	50.7	37.2	45.1	8.5	13.5	19.8	26.0	49.6	30.4
Uruguay 2000	70.0	58.7	49.6	37.8	18.3	44.6	27.3	37.0	42.8	47.6	45.7	41.0	2.7	4.3	7.6	14.6	36.0	14.4
Venezuela 1998	57.1	74.0	63.4	50.5	21.7	40.0	33.0	15.7	32.7	37.2	34.6	33.5	9.9	10.3	3.9	12.3	43.7	26.5

Table 2A.7 Percentage of Employed Adults and Youth by Education Level

Country	National			National			Urban			Urban			Rural			Rural		
	Adult			Youth			Adult			Youth			Adult			Youth		
	Low	Medium	High	Low	Medium	High	Low	Medium	High	Low	Medium	High	Low	Medium	High	Low	Medium	High
Argentina 2001	54.0	62.6	79.3	37.7	27.8	45.3	54.0	62.6	79.3	37.7	27.8	45.3	—	—	—	—	—	—
Bolivia 2002	79.9	81.1	80.1	63.3	43.4	38.9	74.7	79.6	79.5	47.6	38.2	37.2	85.3	91.8	92.1	76.3	67.1	83.2
Brazil 2001	67.2	75.1	84.7	49.9	56.4	70.8	63.7	74.8	84.6	45.3	55.8	70.7	81.3	81.0	88.6	66.5	64.7	—
Chile 2000	52.9	64.9	79.6	37.5	28.0	28.3	53.1	65.2	79.6	34.0	28.1	28.4	52.5	60.3	77.5	44.2	27.2	23.9
Colombia 1999	61.3	69.0	82.4	44.4	33.1	48.7	60.0	68.6	81.9	40.1	33.2	48.0	62.8	71.3	86.3	48.5	33.1	55.8
Costa Rica 2000	57.4	69.0	80.0	52.8	36.7	59.1	58.8	68.6	80.9	51.3	37.2	56.9	56.6	69.7	77.2	53.6	36.0	64.4
Dominican Republic 1997	59.5	67.8	80.3	42.8	38.0	55.9	59.6	68.7	79.3	42.4	38.9	56.2	59.4	65.0	88.0	43.2	35.9	53.4
Ecuador 1998	75.8	76.3	86.1	69.3	54.0	65.5	72.6	74.8	85.9	59.6	50.8	64.8	78.5	82.5	88.1	76.3	63.6	69.8
El Salvador 2000	66.2	76.3	81.2	47.6	42.6	39.9	69.3	76.4	81.4	43.1	41.2	40.0	62.6	75.1	75.9	51.1	47.5	38.5
Guatemala 2000	63.5	73.7	83.0	54.5	51.5	72.6	65.5	73.5	82.9	57.9	52.2	72.4	62.3	74.8	84.4	52.9	49.1	73.9

(table continues on the following page)

Table 2A.7 (continued)

<i>Country</i>	<i>National</i>			<i>National</i>			<i>Urban</i>			<i>Urban</i>			<i>Rural</i>			<i>Rural</i>		
	<i>Adult</i>			<i>Youth</i>			<i>Adult</i>			<i>Youth</i>			<i>Adult</i>			<i>Youth</i>		
	<i>Low</i>	<i>Medium</i>	<i>High</i>	<i>Low</i>	<i>Medium</i>	<i>High</i>	<i>Low</i>	<i>Medium</i>	<i>High</i>	<i>Low</i>	<i>Medium</i>	<i>High</i>	<i>Low</i>	<i>Medium</i>	<i>High</i>	<i>Low</i>	<i>Medium</i>	<i>High</i>
Honduras 1999	68.4	78.6	85.5	55.0	49.3	42.4	71.7	78.6	84.8	52.9	48.1	41.9	65.7	78.2	94.7	56.8	53.8	—
Jamaica 1999	79.8	85.7	90.5	55.0	39.6	73.7	78.9	87.3	—	47.8	43.1	—	80.4	84.4	—	58.0	37.0	—
Mexico 2000	63.1	72.2	83.4	56.2	45.1	48.5	62.3	72.1	83.2	57.8	43.9	47.9	64.7	73.2	89.5	53.8	51.6	63.5
Nicaragua 2001	64.3	72.5	80.3	50.7	37.4	48.8	65.2	72.5	80.6	46.3	36.4	47.7	63.4	72.8	76.9	54.7	42.7	63.4
Panama 2000	57.5	64.4	80.6	40.3	31.8	54.4	55.4	64.4	81.0	32.3	32.3	54.4	59.3	64.4	77.2	46.8	30.5	54.7
Paraguay 1999	69.1	78.9	87.4	52.1	45.0	68.8	65.8	78.4	86.8	49.0	44.7	69.5	72.4	82.0	92.3	54.9	45.9	64.0
Peru 2000	76.0	73.5	77.9	62.6	48.3	57.1	64.2	69.3	77.1	42.7	41.6	56.2	87.6	91.4	88.0	77.3	69.8	62.9
Uruguay 2000	60.1	74.9	82.4	42.9	47.3	34.6	60.1	74.9	82.4	42.9	47.3	34.6	—	—	—	—	—	—
Venezuela 1998	64.5	74.6	82.5	47.2	37.2	44.2	70.0	75.6	84.2	41.3	43.8	49.1	63.8	74.3	81.8	47.8	35.9	42.8

Note: — = not available.

Table 2A.8 Percentage of Urban Adults Employed in the Informal Sector or Self-Employed, by per Capita Income Quintile

<i>Country</i>	<i>% adults employed in the informal sector</i>						<i>% adults self-employed</i>					
	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total</i>
Argentina 2001	70.5	55.0	49.0	37.0	22.2	40.6	39.0	26.3	22.9	20.7	17.0	22.7
Bolivia 2002	86.5	82.3	71.7	63.6	41.9	60.4	66.0	56.1	49.2	43.8	33.1	43.4
Brazil 2001	73.6	59.2	51.2	43.3	27.3	44.3	45.3	37.6	32.3	28.6	22.8	30.3
Chile 2000	45.4	39.8	37.9	34.4	24.8	33.7	17.6	17.6	19.0	21.5	18.9	19.2
Costa Rica 2000	61.8	53.0	42.7	34.8	25.1	35.0	35.5	28.0	23.6	20.9	16.7	21.0
Dominican Republic 1997	71.8	58.7	47.3	43.7	35.6	44.4	59.5	45.5	35.5	35.0	30.4	35.8
Ecuador 1998	86.2	62.2	59.1	46.2	33.9	47.5	57.6	33.4	35.4	30.7	21.4	29.6
El Salvador 2000	35.8	53.3	52.6	50.2	40.6	46.0	24.6	36.3	35.3	34.8	30.6	32.5
Guatemala 2000	84.0	66.2	58.0	53.9	36.6	48.3	55.9	36.1	34.5	37.1	26.6	32.6
Honduras 1999	81.4	62.7	57.2	49.9	29.6	46.3	58.5	37.0	37.4	35.7	23.7	32.7

(table continues on the following page)

Table 2A.8 (continued)

<i>Country</i>	<i>% adults employed in the informal sector</i>						<i>% adults self-employed</i>					
	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total</i>
Jamaica 1999	59.0	63.7	61.4	63.7	63.6	62.7	25.5	33.0	38.2	30.2	22.4	27.7
Mexico 2000	81.2	60.6	51.8	35.6	21.5	40.7	45.1	26.1	22.0	17.6	13.5	20.1
Nicaragua 2001	80.1	69.7	60.9	48.6	43.7	53.0	45.3	40.3	33.5	29.0	28.5	31.8
Panama 2000	74.2	52.1	41.8	32.4	17.0	31.3	50.7	37.1	26.6	20.8	12.3	21.1
Paraguay 1999	86.4	74.3	58.9	48.3	32.9	47.3	50.2	43.6	37.0	29.8	24.1	30.7
Peru 2000	82.3	73.6	65.7	55.2	37.8	54.6	51.8	50.5	48.2	38.4	33.2	40.6
Uruguay 2000	65.9	51.3	40.6	33.0	21.7	38.8	35.8	28.0	22.6	19.5	17.6	23.1
Venezuela 1998	35.1	40.3	42.9	40.0	24.6	32.3	29.5	35.2	37.2	33.9	31.9	33.3

Table 2A.9 Percentage of Rural Adults Employed in the Informal Sector or Self-Employed, by per Capita Income Quintile

<i>Country</i>	<i>% adults employed in the informal sector</i>						<i>% adults self-employed</i>					
	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total</i>
Bolivia 2002	92.9	86.7	80.0	71.9	62.4	85.7	51.7	51.1	50.9	42.5	39.3	49.8
Brazil 2001	93.1	82.4	77.0	73.0	58.1	82.3	39.7	34.8	33.1	36.1	33.6	36.4
Chile 2000	58.7	53.9	52.7	56.3	52.8	55.2	29.0	25.0	30.0	36.9	37.1	30.2
Costa Rica 2000	73.2	57.7	46.7	43.3	31.2	50.4	37.5	25.5	24.6	24.1	22.1	26.7
Dominican Republic 1997	79.2	62.9	58.9	52.9	52.0	60.4	64.8	52.4	44.7	44.6	42.9	49.3
Ecuador 1998	93.6	82.2	69.5	67.0	51.0	78.1	51.6	43.1	37.8	34.7	31.6	42.4
El Salvador 2000	71.9	65.3	57.5	55.1	50.5	61.5	53.5	42.1	36.6	38.7	39.2	42.9
Guatemala 2000	80.3	65.8	59.1	59.8	53.7	64.8	57.5	42.2	35.9	42.0	41.1	44.6
Honduras 1999	85.7	79.7	70.2	67.4	61.8	73.7	56.2	56.4	54.9	51.3	53.6	54.6
Jamaica 1999	75.2	71.5	63.5	75.8	58.8	68.4	58.0	49.8	44.5	47.5	34.7	45.6

(table continues on the following page)

Table 2A.9 (continued)

<i>Country</i>	<i>% adults employed in the informal sector</i>						<i>% adults self-employed</i>					
	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total</i>
Mexico 2000	83.0	73.4	61.0	54.3	41.7	72.0	47.5	40.4	37.9	33.8	27.8	41.8
Nicaragua 2001	87.3	71.1	67.0	56.1	49.7	70.0	60.4	41.1	38.7	27.1	29.9	42.5
Panama 2000	86.5	65.0	53.7	43.0	34.8	61.8	63.9	39.2	35.2	29.0	27.1	42.5
Paraguay 1999	95.8	84.1	77.6	67.1	50.8	80.0	77.3	60.0	52.6	44.6	35.5	58.5
Peru 2000	89.0	80.4	74.8	66.7	57.9	80.9	43.6	45.8	45.1	50.5	44.8	45.2
Venezuela 1998	60.9	51.6	48.7	41.4	30.8	44.9	45.2	38.7	36.1	33.8	28.8	35.6

Endnotes

1. Sample sizes in other countries do not allow for meaningful statistics to be computed at this level of disaggregation.

2. The informal sector refers to the sector in which employment is not regulated and entails no social benefits, unemployment protection, or compliance with occupational safety regulations.

3. The OECD Program for International Student Assessment (PISA) study of 15-year-old students in 41 countries found poor performance in most Latin American countries. Argentina, the top-ranked country in the region, ranked 33rd, Mexico ranked 35th, Chile 37th, Brazil 38th, and Peru 41st (author calculation based on PISA data set, available at <http://www.pisa.oecd.org/>).

4. Quality of schooling could also help explain the divergence between the two income profiles for higher levels of education.

5. Participation by older workers also rose, partly as a result of the aging of the population: within 20 years, the elderly will represent more than 15 percent of the total population in half the countries in Latin America (Attanasio and Székely 2002).

6. In contrast, single mothers, whose participation in the labor force is generally much higher than that of married women, are less likely to increase their labor market participation following shocks.

7. Bosch Mossi and Maloney (2003) hint at the role of household responsibilities for women. They find that in Argentina, Brazil, and Mexico, women have different mobility patterns between jobs status, with higher rates of entry into and exit out of self-employment and inactivity.

8. On average self-employment accounts for 30 percent of employment in urban areas (40 percent in rural areas). Among the urban poor, 44 percent are self-employed, compared with 24 percent among the richest quintile. In most countries, self-employment decreases by income quintile; urban areas in Chile, El Salvador, Jamaica, and Venezuela represent exceptions. The lowest rate of self-employment among the lowest income quintile is in Chile (17.6 percent); the highest is in Bolivia (66.0 percent).

9. In line with this finding, Calderon-Madrid (2000) suggests that in Mexico the likelihood of not staying on in employment in the formal sector increases if salaried workers work in firms with fewer than 15 workers, pointing to the differential ease of enforcing regulations across different types of firms.

10. The relation between income shock and household labor supply may also be difficult to identify if the increase in labor supply takes place abroad through migration of some household member. This type of coping response appears to have been underresearched for the urban poor in Latin America; no quantitative estimate of its magnitude is currently available.

11. Similar strategies may be put in place when households face idiosyncratic rather than covariant shocks.

12. Grade mismatch is correlated with dropout rates, possibly because of social pressures.

13. The focus here is on micro demand or supply side policies as opposed to macro policies, such as trade and exchange rate measures, that may affect job creation and overall economic growth.

14. See the introduction to Freeman and Gottschalk (1998) for a discussion.

15. An interesting contrast exists between the United States, where the wages of low-skilled workers have been falling, and Germany, where they have improved. The phenomenon is arguably due to the fact that the German school system brings all pupils to a minimum level of skills, so that the educational skills of low-skilled workers are much closer to the average than in the United States (Nickell 1998).

16. Freeman and Gottschalk (1998) mention a fourth approach, which consists of policies that affect the modality of pay (profit sharing and mandated wages and benefits). These options appear less relevant for the Latin American labor market, where the informal sector dominates.

17. For case studies and a discussion of how to design a local economic development strategy, see <http://www.worldbank.org/urban/led/index.html>.

References

- Arias, Omar. 2001. "Are Men Benefiting from the New Economy? Male Economic Marginalization in Argentina, Brazil, and Costa Rica." World Bank, Washington, DC.
- Arias, Omar, G. Yamada, and L. Tejerina. 2004. "Education, Family Background, and Racial Earnings Inequality in Brazil." *International Journal of Manpower* 25 (3): 355–74.
- Attanasio, Orazio, and M. Székely. 2002. "A Dynamic Analysis of Household Decision-Making in Latin America: Changes in Household Structure, Female Labor Force Participation, Human Capital, and Its Returns." Working Paper R-452, Inter-American Development Bank, Washington, DC.
- Barone, Márcia, and J. Rebelo. 2003. "Potential Impact of Metro's Line 4 on Poverty in the São Paulo Metropolitan Region (SPMR)." World Bank, Washington, DC.
- Bartik, Timothy J. 1993. "The Effects of Local Labor Demand on Individual Labor Market Outcomes for Different Demographic Groups and the Poor." Staff Working Paper 93-23, W.E. Upjohn Institute for Employment Research, Kalamazoo, MI.
- Bosch Mossi, Mariano, and W.F. Maloney. 2003. "Comparative Labor Market Analysis Using Continuous Time Markov Processes." World Bank, Washington, DC.
- Calderón-Madrid, Angel. 2000. "Job Stability and Labor Mobility in Urban Mexico: A Study Based on Duration Models and Transition Analysis." Working Paper R-419, Inter-American Development Bank, Washington, DC.
- Cardoso, Adalberto, Peter Elias, and Valéria Pero. 2003. "Urban Regeneration and Spatial Discrimination: The Case of Rio's *Favelas*." Proceedings of the 31st Brazilian Economics Meeting from ANPEC (Brazilian Association of Graduate Programs in Economics). Available at: www.anpec.org.br/encontro2003/artigos/F41.pdf.

- Conning, Jonathan, P. Olinto, and A. Trigueros. 2001. "Managing Economic Insecurity in Rural El Salvador: the Role of Asset Ownership, and Labor Market Adjustments." BASIS Collaborative Research Support Program, Department of Agriculture and Applied Economics, University of Wisconsin, Madison.
- Contreras, Dante, and Osvaldo Larrañaga. 1999. "Los activos y recursos de la población pobre en America Latina: El caso de Chile." Working Paper No. R-358. Inter-American Development Bank, Washington DC.
- Cunningham, Wendy. 2001a. "Breadwinner or Caregiver? How Household Role Affects Labor Choices in Mexico." Policy Research Working Paper No. 2743, World Bank, Washington, DC.
- . 2001b. "Sectoral Allocation by Gender of Latin American Workers over the Liberalization Period of the 1990s." Policy Research Working Paper No. 2742, World Bank, Washington, DC.
- de Ferranti, David, Guillermo Perry, Francisco H.G. Ferreira, and Michael Walton. 2004. *Inequality in Latin America and the Caribbean: Breaking with History?* Washington, DC: World Bank.
- de Ferranti, David, Guillermo E. Perry, Indermit S. Gill, and Luis Servén, with Francisco H.G. Ferreira, Nadeem Ilahi, William F. Maloney, and Martin Rama. 2000. *Securing Our Future in the Global Economy*. Washington, DC: World Bank.
- de Ferranti, David, Guillermo E. Perry, Daniel Lederman, and William F. Maloney. 2003. *From Natural Resources to the Knowledge Economy: Trade and Job Quality*. Washington, DC: World Bank.
- Deutsch, Ruthanne. 1998. "Does Child Care Pay?: Labor Force Participation and Earnings Effects of Access to Child Care in the Favelas of Rio de Janeiro." Working Paper 384, Inter-American Development Bank, Washington, DC.
- Duryea, Suzanne, and M. Arends-Kuenning. 2003. "School Attendance, Child Labor, and Local Labor Market Fluctuations in Urban Brazil." *World Development* 31 (7): 1165–78.
- Duryea, Suzanne, and A.C. Edwards. 2001. "Women in the LAC Labor Market: The Remarkable 1990s." Working Paper 500, William Davidson Institute, University of Michigan Business School, Ann Arbor, MI.
- European Commission. 2003. *Employment in Europe 2003: Recent Development and Prospects*. Employment Analysis Unit, Employment and Social Affairs DG, Brussels.
- Fallon, Peter R., and Robert E.B. Lucas. 2002. "The Impact of Financial Crises on Labor Markets, Household Incomes, and Poverty: A Review of Evidence." *World Bank Research Observer* 17 (1): 21–45.
- Ferreira, Francisco H.G., and R. Paes de Barros. 1999. "The Slippery Slope: Explaining the Increase in Extreme Poverty in Urban Brazil, 1976–1996." Working Paper 2210, World Bank, Washington, DC.
- Fiszbein, Ariel, I. Adúriz, and P.I. Giovagnoli. 2002. "Argentina's Crisis and its Impact on Household Welfare." Working Paper No. 1/02, World Bank, Office for Argentina, Chile, Paraguay, and Uruguay, Washington, DC.
- Flug, Karnit, A. Spilimbergo, and E. Wachtenheim. 1998. "Investment in Education: Do Economic Volatility and Credit Constraints Matter?" *Journal of Development Economics* 55 (2): 465–81.

- Freeman, Richard B., and Peter Gottschalk, eds. 1998. *Generating Jobs: How to Increase Demand for Less-Skilled Workers*. New York: Russell Sage Foundation.
- Fuchs, Martina. 2001. "The Effects of the Crisis of 1994/95 on the Mexican Labour Market: The Case of the City of Puebla." *Urban Studies* 38 (10): 1801–1818.
- Gilbert, Alan. 1997. "Employment and Poverty during Economic Restructuring: The Case of Bogotá, Colombia." *Urban Studies* 34 (7): 1047–1070.
- Gottschalk, Peter. 1998. "The Impact of Changes in Public Employment on Low-Wage Labor Markets." In *Generating Jobs: How to Increase Demand for Less-Skilled Workers*, ed. Richard B. Freeman and Peter Gottschalk, 73–102. New York: Russell Sage Foundation.
- Gramlich, Edward M., and Colleen M. Heflin. 1998. "The Spatial Dimension: Should Worker Assistance Be Given to Poor People or Poor Places?" In *Generating Jobs: How to Increase Demand for Less-Skilled Workers*, ed. Richard B. Freeman and Peter Gottschalk, 54–71. New York: Russell Sage Foundation.
- Hallman, Kelly, A. Quisumbing, Marie Ruel, and Benedicte de la Briere. 2002. "Childcare, Mothers' Work, and Earnings: Findings from Urban Slums of Guatemala City." Working Paper No. 165, Population Council, Policy Research Division, New York, NY.
- Katz, Lawrence. 1998. "Wage Subsidies for the Disadvantaged." In *Generating Jobs: How to Increase Demand for Less-Skilled Workers*, ed. Richard B. Freeman and Peter Gottschalk, 21–53. New York: Russell Sage Foundation.
- Lay, Jann, and M. Wiebelt. 2001. "Towards a Dual Education System: A Labour Market Perspective on Poverty Reduction in Bolivia." Working Paper 1073, Kiel Institute for World Economics, Germany.
- Maloney, William F. 1999. "Does Informality Imply Segmentation in Urban Labor Markets? Evidence from Sectoral Transitions in Mexico." *World Bank Economic Review* 13 (2): 275–302.
- . 2002. "Informality Revisited." Policy Research Working Paper No. 2965, World Bank, Washington, DC.
- Maloney, William F., Mariano Bosch, Jorge Moreno, and Monica Tinajero. 2003. "Notes on Income, and Consumption Shocks." Background paper commissioned for the Mexico Poverty Assessment, World Bank, Washington, DC.
- Martin, John P. 1998. "What Worked among Active Labour Market Policies: Evidence From OECD Countries' Experiences." Labour Market and Social Policy Occasional Papers No. 35, OECD, Paris.
- Mckenzie, David J. 2003. "How Do Households Cope with Aggregate Shocks? Evidence from the Mexican Peso Crisis." *World Development* 31 (7): 1179–99.
- Montes, Gabriel, and Mauricio Santamaría. 2004. "Poverty and Labor Markets in Urban Mexico." World Bank, Washington, DC.
- Murrugarra, Edmundo, and M. Valdivia. 2000. "The Returns to Health for Peruvian Urban Adults by Gender, Age, and across the Wage Distribution." In *Wealth from Health: Linking Social Investments to Earnings in Latin America*, ed. William D. Savedoff and T. Paul Schultz, 151–88. Washington, DC: Inter-American Development Bank.
- Nickell, Stephen. 1998. "The Collapse in Demand for the Unskilled: What Can Be Done?" In *Generating Jobs: How to Increase Demand for Less-Skilled Workers*, ed.

- Richard B. Freeman and Peter Gottschalk, pp. 297–320. New York: Russell Sage Foundation.
- Nopo, Hugo, J. Saavedra, and M. Torero. 2002. "Ethnicity and Earnings in Urban Peru." Grupo de Análisis para el Desarrollo (GRADE), Lima.
- Perlman, Janice. 2003. "Marginality: From Myth to Reality in the *Favelas* of Rio de Janeiro, 1969–2002." In *Urban Informality: Transnational Perspectives from the Middle East, Latin America, and South Asia*, ed. Ananya Roy, 105–46. Lanham, MD: Lexington Books.
- Pessino, Carola, and L. Andres. 2003. "Job Creation and Job Destruction in Argentina." Latin America Research Network Project for the Labor Market and Globalization Conference, held October 2003. Inter-American Development Bank, Washington, DC.
- Ridao-Cano, Cristobal. 2003. "Household Welfare and Coping Strategies in the Face of Economic Crisis: Evidence from Uruguay, 2002." Background paper for the Uruguay Poverty Update, World Bank, Washington, DC.
- Saavedra, Jaime. 2003. "Labor Markets During the 1990s." In *After the Washington Consensus: Restarting Growth, and Reform in Latin America*, ed. Pedro Kuczynski and J. Williamson, 213–63. Washington, DC: Institute for International Economics.
- Saavedra, Jaime, and J. Chacaltana. 2001. *Exclusion and Opportunity*. Grupo de Análisis para el Desarrollo (GRADE), Lima.
- Schady, Norbert. 2002. "The (Positive) Effect of Macroeconomic Crises on the Schooling and Employment Decisions of Children in a Middle-Income Country." World Bank Policy Research Paper No. 2762, Washington DC.
- Stoll, Michael A., H.J. Holzer, and K.R. Ihlanfeldt. 1999. "Within Cities and Suburbs: Racial Residential Concentration and the Spatial Distribution of Employment Opportunities across Submetropolitan Areas." Discussion Paper 1189–99, Institute for Research on Poverty, Madison, WI.
- Székely Pardo, Miguel. 2003. "Lo que dicen los pobres." Secretaría de Desarrollo Social (SEDESOL). Mexico D.F. www.sedesol.gob.mx/publicaciones/libros/Cuad13.pdf.
- Trejos, Juan Diego, and N. Montiel. 1999. "El capital de los pobres en Costa Rica: Acceso, utilización y rendimiento." Working Paper R-360, Inter-American Development Bank, Washington, DC.
- Urani, Andre. 2003. "Urban Poverty and Labor Markets in Latin America: Challenges, and Policy Recommendations." Background paper commissioned for this report. Instituto de Estudos do Trabalho e Sociedade, Rio de Janeiro.