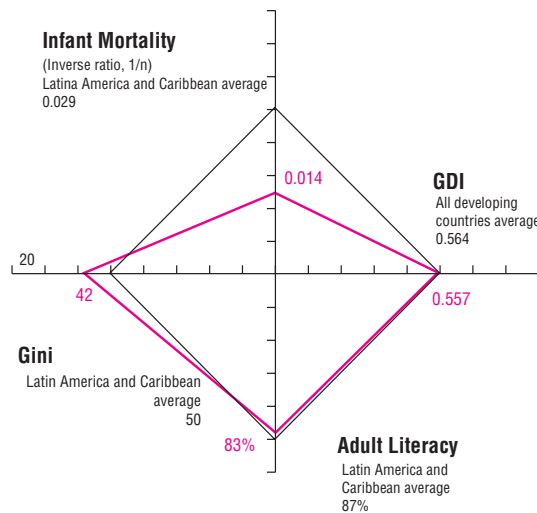


• CARLOS ARCE VARGAS

### COMMITMENT 3

*belief that the State should refrain from any action that interferes with the free play of supply and demand in the economy and the labour market.*



The Equity Diamond: National values in terracotta compared to regional ones in blue.  
Source: **Infant mortality:** UNICEF, *The State of the World's Children, 1998*; **Adult literacy:** UNICEF, *The State of the World's Children, 1998*; **GDI** (Gender Development index): UNDP, *Human Development Report 1998*; **GINI:** World Bank, *World Development indicators 1998*. (The regional average for this indicator was calculated by *Social Watch*).

*Economic restructuring, which began in 1985 with implementation of the Structural Adjustment Programme (SAP), reshaped employment in Bolivia. The structure and size of the labour market are determined by macroeconomic policies based on the paradigmatic belief that the market is the allocator of resources par excellence. It follows from this*

The objective of economic stabilization takes priority over equity and social integration, which were priority aims of the previous development model. The generation of employment as an explicit objective of public policy has been abandoned, and the aim of full employment is left to the potential side effects of other general, neutral policies.

While Gross Domestic Product (GDP) grew at a rate of 4.1% as an annual average over the period 1991–95, urban employment<sup>1</sup> grew at a rate of more than 6.7% in the same period. This involved an implicit elasticity of 1.6%, which, at first glance, appears to reflect an interesting relationship: one may be led to expect that at this rate, in a not too distant future, the country would reach full employment. However, the true situation hidden behind this picture is different.

In the case of Bolivia, growth in employment that is proportionately higher than growth in production came with a drastic fall in productivity (–2.6% in the urban employment under consideration).<sup>2</sup> This is because **growth in employment is concentrated in relatively less productive economic activities**. This phenomenon reveals that the positive effects of economic reforms, such as the recovery of some manufacturing industries and the remarkable increase in export activities, are counterbalanced by the paltry results of others.

**Data on the growth of employment show that it is concentrated in informal sector activities.** Of the total number of new jobs created over the period under study (1991–95),<sup>3</sup> over 86% were in the informal urban sector,<sup>4</sup> 4% were in the domestic sec-

1 Employed population in the four cities of the economic axis, representing 82% of the urban total.  
2 Agricultural and extractive activities are excluded, as they are not covered by surveys on urban households.  
3 General result from the difference between employment in 1995, minus employment corresponding to 1991.  
4 According to a classification that considers the form of work organization as an essential criterion, the IUS comprises activities in the family context and semi-business activities.

tor, and the rest were in the formal sector, which is comprised of the major private enterprises and state sector.

Unemployment statistics appear to show that the reasoning behind present economic policies is correct. However, the unemployment indicator is not the priority problem of the labour market, nor does its favourable evolution necessarily indicate improvement.

Open unemployment in Bolivia is insignificant and, if other factors were not involved, it could be viewed as comparable to industrialised countries. After reaching an historical high of 10.6% in 1989, it fell continuously to 4.3% in 1995. This was a result of economic recovery following a period of hyper-inflation. It is not, however, a sufficient indicator of what is happening to employment, mainly because of the way in which unemployment is measured. A more adequate way of measuring is needed to highlight the specifics of the Bolivian labour market in which, as mentioned above, informal activities are increasing.

In Bolivia, under-employment measured on the basis of hourly income<sup>5</sup> shows the true magnitude of the problem. The phenomenon of underemployment by hourly income has become widespread in the labour market sectors as a whole as well as in the branches of economic activities, covering 72.4% of the employed in 1991 and 65.1% in 1995. An indicator reflecting «equivalent unemployment»<sup>6</sup> on the labour market is obtained by dividing the sum of labour income of those underemployed by a standard hourly income. This calculation shows that «equivalent unemployment» in Bolivia has evolved from 43.6% in 1991 to 28.8% in 1995. The real dimension of under-utilisation of the labour force is equal to the sum of unemployment measured in the conventional way (4.3% in 1995) and the «equivalent unemployment» (28.8% in 1995); hence the real unemployment rate in Bolivia is as high as one third of the economically active population.

## LABOUR CONDITIONS

Implementation of structural adjustment generally brings about deterioration of labour conditions. The so-called flexibilisation of employment, which refers to changes in employment practices to make business more competitive, is translated by business into «reduction of labour costs».

**Flexibilisation threatens job security because of the increase in temporary and occasional work contracts.** Among the wage-earning population as a whole, the proportion of those employed under temporary contracts in the decade of structural reform rose from 11% in 1985 to a high of 26% in 1991, with a

slight recovery in 1991–95 to 24%. Labour insecurity particularly affects workers in small informal enterprises, although it is felt with similar intensity in the formal private sector and even in the public sector.

The length of the average work week increased in all the sectors, but particularly in the business sector, where weekly hours increased from 44 in 1985 to 51 in 1991. This figure has not changed for 1991–95.

In spite of the recovery in 1991–95, employment income is still insufficient and shows deeply rooted trends towards concentration, both regarding branches of activity and occupational categories. Thus, from 1991 to 1995, average real employment income<sup>7</sup> rose from 280 bolivianos in 1991 to 364 bolivianos in 1995, but this was still less than the 368 bolivianos average real employment income in 1987 when prices stabilised.

Also relevant is the growing disparity of income between employees, bosses and independent professionals vis-à-vis workers. Additionally, it should be mentioned that recovery of income is concentrated in some specific activities, such as services and finance in the formal sector, and transportation services in the informal sector.

**The situation of women warrants special attention. Women's participation in those sectors of the economy with better working conditions (the so-called formal sector, government and private) has continuously fallen.** Hence the rise in the relative participation of women, which appears as an improvement in access to the labour market, is due rather to their increasing participation in the informal (semi-entrepreneurial and family businesses) sector and, to a lesser degree, in state employment. Regarding disparity of income, the situation has improved only in the business sector, where the gap between men's and women's salaries has decreased. If we consider, however, that most women workers are concentrated in the informal sector where the income gap has widened, inequity is still significant.

## POLICIES LINKED TO EMPLOYMENT

From the start of SAP implementation, employment policy has been dominated by the liberal notion that the State should not intervene in the economy, and should limit itself to functions of regulator and supervisor of market activities.

In the first stage of SAP, the government abandoned its role as main employer and focused its actions on compensatory social expenditure through establishment of the Social Emergency Fund (Fondo Social de Emergencia – FSE). The purpose of the FSE was to create temporary employment for workers who lost their jobs

<sup>5</sup> Proportion of employed workers, whose income is under the regulation income, consisting of the cost of a family food shopping basket. (Eguino, 1993).

<sup>6</sup> Number of jobs that would have to be established to totally absorb sub-employment by hourly income (Eguino, 1993).

<sup>7</sup> Gross income deflated by the Consumer Price Index, based on 1988 prices.

when public enterprises were closed down.<sup>8</sup>

It was only from 1995 –the «Year of Employment»– during the government of Gonzalo Sánchez de Lozada, that concern for employment was translated into precise policy guidelines and government action. In that year, the Ministry of Labour and Labour Development announced new strategies aimed at generating employment. These were presented as a step forward in the fulfilment of election promises in the so-called «Plan for All».<sup>9</sup>

Thus some specific actions were implemented by the Ministry of Labour and Labour Development toward solving the problem of unemployment. The Labour Exchange was established to facilitate lines of communication between labour supply and demand for labour; the assumption was that job creation is basically a problem of information. The Technical Labour Advice Unit (Unidad de Asesoría Técnica Laboral – UDATEL) and the Institute of Labour Training and Qualification (Instituto de Formación y Capacitación Laboral –INFOCAL) were meant to manage training and transition to new jobs of workers who lost their jobs in the State sector and of new entrants to the labour market.

Many government proposed job creation strategies grew out of the application of reform policies on popular participation and administrative decentralisation of the executive branch of government. In the case of popular participation, the potential for employment generation is closely linked to municipal investment in health and education infrastructures. In the case of administrative decentralisation, it was mainly thought that social services and administrative activities would provide new jobs. Along these same lines, the inclusion of effects deriving from work carried out by the various state funds responsible for the construction of social and productive infrastructure in specific regions was considered to be a strategy.<sup>10</sup>

In line with the general orientation of SAP, the government underscored the role of private investment as generator of employment. The government reasoned that, by demonstration, new direct foreign investment –attracted by the advantages from the capitalisation of the five major state enterprises– would encourage an increase in private, local investment, generating jobs in new areas being opened up thanks to growing competition.

**This hypothesis is the best example of the insufficiency of automatic market mechanisms to generate employment of the magnitude required by the Bolivian economy. In its assumptions, the government overlooked the characteristics of foreign investment, basically aimed at export activities, with limited effects on domestic economy and essentially capital-intensive in nature.**

Given the aims of SAP, it is easy to understand that no precise

orientation was included on the type of employment that economic growth would favour. In other words, the sustainability of newly created sources of employment (a characteristic of productive activities) was not a concern of economic policy. This is because government action was dominated by the need to restrict expenditures to assistance-type actions, and because job security is not an imperative for foreign investment.

In any event, it should be emphasised **that the State has abandoned its role as promoter of employment, and supplanted this objective with other policies. This is despite its claims for the priority nature of various government development plans and programmes.**

## PROSPECTS

At the beginning of its mandate, the present government of General Banzer raised expectations in some sectors of society by promoting a «National Dialogue» in which representatives of civil society participated, and by incorporating the main conclusions of this dialogue in the «General Plan for Economic and Social Development» and in the «1997–2000 Operational Plan of Action». These are the same documents that emphasise the need to give priority to poverty issues.

A detailed reading of the government strategy, however, will dissipate these expectations. **In fact, the main theme of the proposal is that social problems including unemployment will be resolved through the «generation of opportunities for access». This conception, which makes solution of social problems dependent on citizens' benefiting from «opportunities» is profoundly imbued with—although it claims to be critical of—the liberal conception of development.**

The conclusion of this liberal conception is that the possibility of generating «permanent employment» depends on economic growth and productive reactivation. For this purpose, emphasis is placed on the importance of small enterprises<sup>11</sup> as dynamic generators of employment, and on promoting mechanisms for their sustainable financing.

An important feature of the government's proposal is that the targets of policies are the «poorest» segments of the population. Along these same lines, the special cases of women, young people and indigenous peoples are seen in the framework of the objective of generating economic opportunities and «equitable» access to

<sup>8</sup> During the first two governments administrating PAE, with the exception of the FSE experience, employment was only included as a objective in the official programs' declaration of terms.

<sup>9</sup> The Revolutionary Nationalist Movement (MNR) electoral proposal promised to create 290.000 new jobs and improve 210.000 already existing ones, on the basis of general estimates on expected investments, due to the effect of public enterprise capitalization and its direct and indirect effects on the creation of jobs.

<sup>10</sup> The National Fund for Social Housing (Fondo Nacional de Vivienda Social – FONVIS), the National Fund for Peasant Development (Fondo Nacional de Desarrollo Campesino – FNDC), the National Fund for Regional Development (Fondo Nacional de Desarrollo Regional – FNDR) and the Fund for Social Investment (Fondo de Inversión Social – FIS) were mentioned.

<sup>11</sup> Bolivia XXI país socialmente solidario. Marco conceptual del nuevo Plan General de Desarrollo Económico y Social, Ministerio de Desarrollo Sostenible y Planificación, La Paz, December 1997.

social services.

**Finally, we note that the government has accepted demands of the International Monetary Fund and the World Bank to reform current labour legislation as a condition for accessing a new SAP and the programme for the alleviation of the foreign debt.** The IMF/World Bank demands coincide with public demands by the Confederation of Private Businesspeople of Bolivia to make labour relations more flexible, as the most important strategy for reducing unemployment and achieving business competitiveness. For these reasons, it is possible to conclude that labour flexibility will be the dominant idea determining the orientation and scope of employment-related policies.

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