Recast labour law to rescue Latin America’s youth
By ERIC FARNSWORTH and CHRIS SABATINI
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Late last year came two outbreaks of violence, on opposite sides of the Atlantic, pegged to the failure of democratic governments to provide broad-based economic prosperity. Both pressed the same demands: creation of more jobs, better jobs and the means to gain full economic citizenship.

In November in Mar del Plata, Argentina, anti-globalisation protesters laid siege to a summit of hemispheric leaders who had gathered to discuss employment and prosperity. This raised further resistance to a hemispheric trade agreement that, as part of a package of reform, is arguably Latin America’s best chance for sustained job creation. In France, two weeks of rioting by unemployed Muslim youth brought into focus the economy’s inability to integrate a new generation of immigrants. Five months later, new protests erupted, led by students and unions, against labour reforms proposed by the government in response to the November riots.

The choice is stark for democratically elected leaders: deal head-on with the need to improve labour markets at the cost of triggering a potentially destabilising wave of protest, or do nothing significant and watch a political time-bomb develop of disaffected, unemployed youth.

According to opinion surveys, unemployment remains the number one concern of Latin Americans. From 1989 to 2004 urban unemployment grew by more than 35 per cent, with rates in countries such as Argentina and Brazil more than doubling. But there is more to come. More than one-third of the region’s population is under 16, meaning labour markets already stretched to their limits will shortly need to absorb a flood of youth. The alternative is to watch them attempt to change their governments or migrate to the US, Canada and elsewhere, where the immigration debate is already hot.

It is difficult to imagine a more dysfunctional situation than the conditions workers face in Latin America: increasing wage disparity between skilled and unskilled workers, swelling youth unemployment, declining levels of already-low unionisation, incomplete enforcement of existing labour protections and rapid growth of informal employment caused in part by labour laws that constrain formal employment growth. Every country in Latin America has a welter of laws that govern employer-employee relations. Many were passed in the 1930s and 1940s, originally intended to protect workers. In spite of some reforms in the 1990s, most of the original laws have remained intact. Once a model, Latin American labour legislation is now perhaps the most restrictive, rigid and cumbersome in the world, particularly in the hiring and firing of workers, and has throttled the ability of economies to generate formal employment. Informal sector employment has exploded. Astoundingly, more than 50 per cent of the urban workforce is employed in the informal sector. Workers toiling away on the fringes of the formal economy have limited access to pensions, benefits and job security, and often work in unsafe conditions. Wage levels for informal sector employees are lower. Since labour laws protect existing workers, those most hurt by the move to informal hiring are new entrants to the labour market, women and youth.

This inchoate mass of workers, with few organisational bonds or legal status, represents a potentially volatile political force. It is no coincidence that the electoral base of recently elected populist leaders has been made up primarily of the marginalised and disgruntled. The risk, however, is not just the growth of populists. Rather, as in France, failure to provide for the inclusion of youth could lead to a more alarming destabilisation of governments. From the closing of highways by unemployed piqueteros in Argentina to protests and strikes in Bolivia, Ecuador
and Venezuela, outbursts of opposition to governments have raised the possibility that the long-term danger may be to the capacity of any government to govern democratically.

The cry from the streets offers a real opportunity for governments to strike an innovative balance: reform laws to reduce the burden on employers to hire and fire employees while aggressively working to improve labour and social protections for all workers, including those in the informal sector. The trade-off would provide governments with the political capital to rewrite outdated labour law and, by incorporating a new generation of workers, recast politics and labour relations away from the pull of populist promises and protest.

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