

SUMMARY

Emilio Klein: *Reflections on the Construction of an Anti- Poverty Employment Policy for Honduras*

Paper prepared for the EU-ILO project
“Improving Social Protection and Promoting Employment”
November 1, 2011

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This document aims to contribute to the construction of a National Employment Policy focused on reducing poverty in Honduras. The analysis provides inputs for the discussion by pointing out some central elements of the employment situation that may be taken into account in the process of elaborating the policy. The work illustrates the need for adopting an employment policy in the country and the benefits that may ensue.

An analysis of the trends of Honduras’s economic growth during the last decade reveals that while the rate of GDP growth has fluctuated, the rate of growth of the country’s GDP per capita has been, on the whole, positive. This is true even when considering the negative impact that the international financial crisis and the Honduran national political crisis had on the country’s economy. The engines of this growth are found in the financial services, transport and communication sectors. As regards exports, the Honduran *maquila* industry is of great importance, as it accounts for more than a half of the total value of the nation’s exports. It is also worth noting that agricultural exports, especially coffee, bananas and palm oil, are of considerable weight in the economy. External factors contributing to growth include foreign direct investment and, most importantly, family remittances, which have come to amount to 20 percent of GDP.

The level of open unemployment has remained low, around 5 to 6 percent. Yet, the rate of increase of the minimum wage has generally been inferior to that of inflation, with the exception of 2009, when the government decreed a substantial raise in the minimum wage. Despite this, wage inequality has increased, as the share of low-wage earners among all earners has grown and the gap between low wages and high wages widened.

These observations explain, in part, why poverty reduction has been modest and why it has not followed the path projected. Currently, two-thirds of the population live in poverty, with a higher concentration of deprivation in rural areas. A part of the persistence of poverty can also be explained by the high concentration of income in the country. Inequality translates into an uneven

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distribution of the fruits of economic growth and creates a need for higher rates of growth to sustain poverty reduction. In this context, it is of urgent importance to formulate specific poverty reduction policies.

This sketch of the general employment situation allows us to understand the difficulties faced in poverty reduction. Honduras is one of the few Latin American countries in which more than half of the occupied workers are in the rural, mostly agriculture and livestock, sector. The rural sector is the main source of employment generation in the country, but at the same time, the sector with the lowest incomes, as is also observed at the regional level. Additionally, non-agricultural rural employment is of significance and, in fact, in the last decade, more jobs were created in the rural than in the urban areas. The labour force participation of women increased in rural areas, especially in those activities that generate higher incomes.

The predominance of self-employment and unpaid family work is characteristic of the Honduran labour market. More than half of all occupied workers are in these kinds of occupations.

In this context, it is important to pay attention to the informal economy. Informal economy refers to the informal sector, composed of companies, and informal work, both in the informal and the formal sectors, in which 74% of non-agricultural occupied workers are employed. The informal economy offers low-quality jobs and practically no social protection, demonstrating the strongly inter-linked and complementary nature of employment and social protection issues.

Disaggregating poverty statistics reveals that poverty is concentrated in rural areas and among agricultural workers, and that there is a higher incidence of poverty in the urban and rural informal economies. The lack of a minimum salary guarantee is evident, as is the lack of social security among salaried workers.

The analysis of the employment policies of recent years reveals that interventions mostly take place in the framework of specific projects, and usually in connection with international development cooperation. The impact of this type of an approach is limited because it fails to involve a wider share of the population, and because projects demand a lot of resources, a share of which is channelled towards project administration activities.

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The full report also suggests that more macro-level instruments should be employed in order to obtain a more intensified impact on employment and the labour market. Therefore, it is proposed that there be more emphasis on improving the quality of rural jobs so as to reduce poverty more effectively, as the rural areas are the most problematic in this respect. In addition, the analysis reveals the need for a multidimensional process to gradually design policies to support the informal sector and to begin to formalise informal enterprises and jobs. It is evident that this is the area where most job opportunities lie and poverty is most widespread.

Lastly, it is suggested that a decision be taken to formulate an anti-poverty employment policy for which, unlike in actuality, sufficient human and financial resources be destined. Also, there is a need for strengthening the inter-institutional coordination among government agencies that work in the field. This would require improving the availability of information necessary for the design of employment policies.