

Latam Daily: Contrasting Labour Market Recoveries in Chile vs. Colombia in September

- **Chile:** Job creation and recovery of labour participation steadily continue
- **Colombia:** September showed most moderate job creation since the pandemic began, informality prevails

CHILE: JOB CREATION AND RECOVERY OF LABOUR PARTICIPATION STEADILY CONTINUE

On Friday, October 29, statistical agency INE released the latest unemployment rate, which fell to 8.4% in the quarter that ended in September (chart 1), slightly above market expectations (Bloomberg: 8.3%). The fall was explained by the higher growth in employment (1.0% m/m) compared to that of the labour force (0.9% m/m). People continue to return to actively seek employment in a context of high labour demand.

In September, 86k jobs were created compared to the previous moving quarter, accumulating three consecutive months of increases. By categories, 43 thousand salaried jobs were created, in addition to a further 43 thousand independent jobs. In the latter category, 39 thousand jobs corresponded to the self-employed, which recovered to pre-pandemic levels.

With this, the economy has recovered almost 1.3 million jobs compared to the 2 million that were lost as a result of the pandemic. In other words, the gap has now narrowed to 718 thousand jobs still-to be recovered, of which 395,000 correspond to formal jobs and 323,000 to informal ones (chart 2).

By economic sectors, job creation compared to the previous moving quarter was concentrated in commerce (+21 thousand), followed by professional activities (+19 thousand) and public administration (+15 thousand). On the other hand, 36 thousand jobs in the transport sector were lost, most of them salaried.

Chart 1

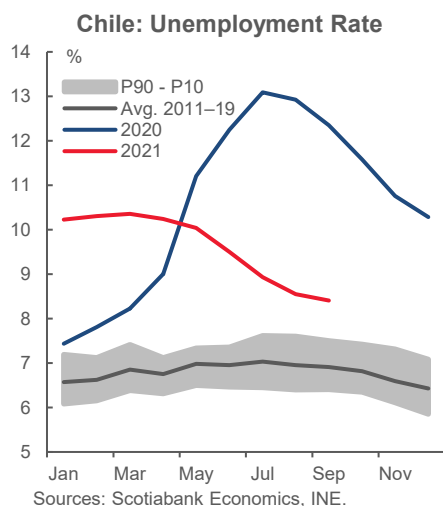
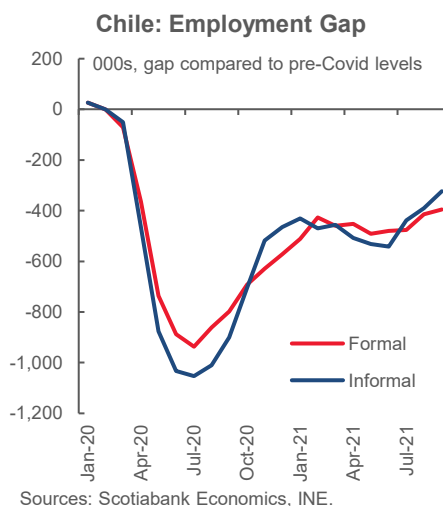


Chart 2



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Total job creation was mainly explained by an increase in informal employment (+67 thousand) which was concentrated in commerce (+20 thousand). Meanwhile, the creation of formal employment (+20 thousand) was explained by an increase in employment mainly in service sectors, such as professional activities (+14 thousand), which showed dynamism beyond the usual seasonality for the month of September, reaching a historical high for the month's employment levels.

—Jorge Selaive, Anibal Alarcón, & Waldo Riveras

COLOMBIA: SEPTEMBER SHOWED MOST MODERATE JOB CREATION SINCE THE PANDEMIC BEGAN, INFORMALITY PREVAILS

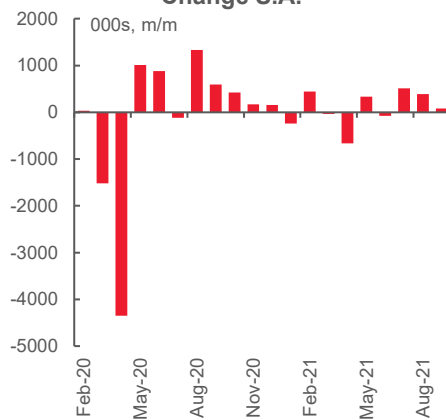
Employment data for September, released on Friday, October 29, showed the most moderated gains in employment since the pandemic began. The economy created 78 thousand jobs (chart 3), significantly below from the previous month's mark above 350 thousand new jobs, informality is still the main contributor of jobs recovery. On the other side, inactivity remains high, especially in main cities, affecting particularly the young population. Additionally, in September gender gaps didn't show a significant improvement. On the positive side, mobility continued contributing to job creation in commerce, hotels, and domestic services, while weakness remains in the agriculture, education, and construction sectors.

Colombia's nationwide unemployment came in at 12.1% and urban unemployment (main 13 cities) at 13.0%. In seasonally adjusted terms, the nationwide unemployment rate was 12.6% (improving from the 12.8% in August) and for the urban area 14.1% (improving from the 14.9% in August), reaching the best figure since the pandemic began (chart 4). It is worth noting that in September total active jobs were down by 500 thousand (-2.8% versus pre-pandemic in 2019), pointing to a marginal gain compared to August (-3.15% vs. pre-pandemic). By September, Colombia had recovered ~90% of the job losses registered at the worst of the pandemic (April 2020).

From a sectoral perspective, compared with one year ago, 55% of jobs gains were on commerce (+359 thousand) professional activities (235 thousand), and restaurant services (235 thousand). On the other side, compared with pre-pandemic levels, the main lags are still on education services (-142 thousand) and transport services (-129 thousand) and agriculture (-149 thousand), the last one due to weather issues that reduce the regular activity in the sector. It is worth noting that, on a yearly basis, the biggest employment gains are concentrated in urban areas.

In September, we didn't see significant improvements regarding gender gaps, female unemployment rate was 16.4% and male rate was 9.0% showing a widening in the differential. It is worth saying that male employment has already closed the gap, while the lag in women jobs is still around 7%. Women's employment has gained ground in the last year in activities associated with commerce, professional services, accommodation, restaurants and domestic services. However, there remains ground to be gained in sectors such as education and tourism and transportation services.

Chart 3
Colombia: Monthly Employment Change S.A.



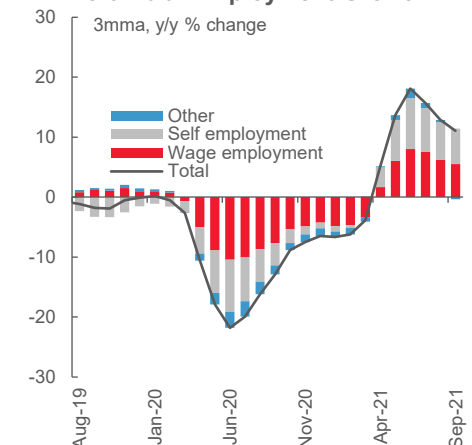
Sources: Scotiabank Economics, DANE.

Chart 4
Colombia: Nationwide and Urban Unemployment



Sources: Scotiabank Economics, DANE.

Chart 5
Colombia: Employment Growth



Sources: Scotiabank Economics, DANE.

Informality increased in September, and basically self-employment explained the 100% of employment gains (+556 thousand), completely offsetting the loses of formal jobs (-557 thousand) (chart 5). It is worth noting that compared with pre-pandemic, self-employment increased by 6%, while formal jobs are lagging the recovery (-6.2% versus September 2019). Informality for urban areas (in 13 major cities) is a high of around 48.1%, while for a wider sample (23 cities) it is 49.3%—both still concerning levels.

Summing up, September employment data posted moderate progress, showing weaker job creation and some concerning points regarding informality. However, we expect the labour market to continue gradually improving, as major cities are now broadly operating normally, but the quality of the jobs remains a concern. For the months ahead, the employment recovery would continue but at a slower pace and concentrated in services sectors. For now, the pandemic is still under control, a crucial element to maintain free mobility and sustain job gains.

—Sergio Olarte & Jackeline Piraján

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