

**The Chilean Labor Market:
A Key to Understanding Latin American Labor Markets, Palgrave Macmillan 2006**

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Abstract

Based on the view that the labour market is generally a neglected topic within the development literature, this book first of all emphasises how important the labour market is to the development process of any country. It argues that when the development literature focuses on human development it generally looks at how economic growth is filtering down to individuals on the one hand, or at how poverty and income distribution have developed as a result of certain policy measures on the other. This approach fails to acknowledge that employment constitutes the connection between economic growth and poverty, and thus also constitutes the most important variable in a human being's function of well-being.

Unfortunately, in the economic literature the labour market is analysed mainly in terms of how it responds to the various economic, regulatory or political stimuli affecting a country at any given time. The employment and unemployment rates and wage levels are the primary variables that this type of analysis focuses on. Given the importance of labour policy to development, and the pivotal importance of employment to the well-being of the individual, this book applies Amartya Sen's capability approach to the study of the labour market in order to break up the more conventional approaches to the subject and to put the individual as a human being, and not as a production factor, into the centre of the debate on labour issues. This creates a different perspective of the labour market, obliges us to focus on a broader range of employment variables, and also changes our priorities in terms of interpreting them.

The book uses the example of the Chilean labour market to illustrate this approach. In part the country's particular characteristics make it a useful case study in the context of development thought. But the case of Chile also allows us to explore the approach's applicability to more complex measures of well-being such as the 'quality of employment' rather than simpler basic variables such as longevity, morbidity, or infant mortality, which are the kind of subjects normally associated with the capability approach. In fact, the book defines the 'quality of employment' as 'the capabilities and functionings generated by employment', and proposes an indicator which measures this concept. It argues that such a measure captures the capabilities and functionings associated with work far better than conventional measures such as unemployment rates and wage levels. This measure also highlights groups in the labour force which should be the focus of policy makers that are different from those identified by other approaches.

Within the more specific context of using Chile as a case study, the main contribution this book makes is to provide more in depth information on its labour market.

The survey's results highlight how important the characteristics of a job are, and that it is misleading to concentrate mainly on unemployment rates in the analysis of labour markets, as most of the literature on the Chilean labour market does. The results show, for example, how the quality of employment in Chile changed in a very short period of time, and that this has had a significant impact on the level of social security protection the individual is entitled to. In particular whether an individual has a contract, the type of contract held or the employment status (self-employed or not), whether contributions are made to social security systems, and the stability of employment are important factors that determine the functionings and capabilities that employment generates.

By applying the capability approach to the Chilean labour market, this book sets a new standard by which Chile could measure its performance. It attempts to break up the perspective traditionally adopted by analysts of the Chilean labour market that has led to a very limited and biased body of analysis and focuses predominantly on the issue of unemployment. The information and methodology presented, the perspective of the capability approach, and the measure of quality of employment developed will also be of use to other developing countries, especially those with similar labour market and social security structures as Chile's.

This book can therefore best be described as having a multifaceted purpose, in the sense that its objective is threefold: first to explore a different approach to labour market policy, second to explore and test a different application of the capability approach, and third to improve and expand the information available on the Chilean labour market for the purpose of being able to better analyse the effects of labour policy in Chile over the last decades.