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EMPLOYMENT PROTECTION REFORMS IN SOUTH AMERICA: EFFECTIVE INSTRUMENTS TO MANAGE EMPLOYMENT?*

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At the turn of the 1980s and during the early 1990s a number of Latin American countries reformed their legal systems of labour protection for private sector workers. Several of these reforms were addressed to the employment protection regime. The mechanisms of wage determination and collective labour rights were also revised in some countries. At the same time, the "state reforms" redefined the scope of state intervention, and therefore the size, composition and labour market role of public-sector employment, as well as the legal regulation of state employment.

In Argentina (1991), Colombia (1990), Ecuador (1991) and Peru (1991), for instance, forms of "flexibilization" of the employment contract and reforms to the legal protection of unfair and/or collective dismissal were implemented. In Brazil (1988), Chile (1990-91) and Venezuela (1990), by contrast, some aspects of labour legislation were modified with a view at enhancing employment protection. Other Latin American countries, such as Mexico and Uruguay, did not join in this process of labour law reform, but introduced some changes in labour protection through collective agreements.

After more than a decade of intense dispute, the debate on the impact of employment protection regimes[1] on the labour market has not yet been settled. In relation to the employment level, it was not possible to demonstrate as yet neither that stronger protection against job loss and limitations to flexible contracts lead to less employment creation in the long run nor the opposite. Contradictory findings, unable to provide unshakeable support to anyone of the opposite positions, piled with the mounting empirical evidence.[2] It was clearly shown, by Buechtemann (1993) among others, that the problem is much more complex than the usual simplifications posited on both sides,[3] that the effects of employment protection vary according to social and economic circumstances, and that the many institutions that contribute to employment protection, apart from laws, play a role in determining labour market outcomes. Evidence showed, however, how institutional regulation does effectively structure the labour

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[1] Throughout this paper, 'employment protection' is used very loosely to refer to the legal institutions that place barriers to the free utilization of individual and collective dismissals and of un- or less protected employment contracts; as explained below, unemployment insurance and assistance schemes are considered as well, in spite of the fact that they do not protect employment but income (on the latter distinction, as well as on the meanings of employment security, see Buechtemann, 1993).

[2] This evidence is reviewed in detail by Buechtemann (1993).

[3] For a detailed account of the diverse employment effects attributed to job security see e.g. Emerson (1988) and Buechtemann (1993).

market. The legal regime of employment protection (consisting of a whole set of institutions, that vary across countries) does have an incidence on employer and worker behaviour, and this is reflected by the structure of the labour force, but not necessarily by the global employment and unemployment rates and trends. In other words, the imposition of institutional restrictions on the managerial prerogative to "adjust" the workforce to changing business conditions, as well as their degree of stringency, influence the structure of the labour force, both employed and unemployed. The fact that unconstrained dismissal plays a disciplinary role in relation to employed workers, even if not expressed in actually higher lay-off rates in those countries where employers are freer to dismiss,[4] was also highlighted.

As for unemployment insurance schemes, it was argued that they moderate the disciplining impact of the fear (or threat) of unemployment on the employed workers, affecting their effort at the workplace and thus productivity. Unemployment insurance and assistance benefits, via the workings of different mechanisms, allegedly also increase labour force participation rates, relax the incentive to work, raise wages, slow down labour mobility, and stimulate voluntary unemployment, among others. Some of these several expected impacts of unemployment insurance benefits contradict each other.[5] On the one hand, it is argued that unemployment insurance benefits tend to dampen the incentive to remain in employment as well as to exit from unemployment, leading to larger long-term unemployment rates. On the other, that unemployment pay fosters labour force participation, the search of employment so as to qualify for unemployment (and other) benefits, and permits a longer employment search period thereby facilitating better job matching, that in turn implies less voluntary quits. Similarly, it was claimed that unemployment benefits stimulate both informalization (as a lax control would make it possible to cash unemployment benefits and to work "informally" at the same time) and formalization (so as to guarantee later eligibility for benefits). Again, as with employment protection, the evidence on the labour market impact of unemployment insurance schemes is not conclusive. Cross country analyses provided some support to the hypothesis of an inverse relationship between duration of unemployment insurance benefits and long-term unemployment (OECD, 1993),[6] but on the whole ..."the effects of unemployment compensation on the functioning of labour markets are by no means clear cut" (Reissert and Schmid (1994:109).[7]

But while in relation to OECD countries there has been an increasing recognition (at least in the *academia*) of the lack of a straightforward relationship between employment protection

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[4] On comparative dismissal rates in e.g. the U.S. and Europe see Buechtemann (1993).

[5] It is nothing wrong with positing such contradictory effects theoretically as long as the mechanisms at work in each case are clearly specified, but while empirical evidence in North America and Europe on the net balance of such contrasting impacts, however vast, is not yet at all clear many academics and policy makers seem to take for granted that unemployment insurance has a predominantly negative labour market impact.

[6] It may be noted here that few analyses have differentiated clearly between the effects on the overall unemployment rate and on the rate of long-term unemployment.

[7] See this study of unemployment insurances in EEC countries for more details.

regulations and labour market global performance, many authors concerned with Latin American countries still assert, on frail empirical grounds, that only if the "obstacles" and "rigidities" that come from employment protection were to be removed, jobs would expand and productivity performance improve.[8] However, in a comparative study of seven Latin American countries (Marshall, 1994a) it was found that the laws regulating contracts and dismissals, by affecting both employer practices and the behaviour of wage earners, contribute to structure the labour market but have no discernible effect upon the performance of macroeconomic variables, mainly determined by other, more crucial factors. More specifically, it was concluded that more permissive regulations on dismissal were accompanied by higher turn-over rates and higher short-term employment-output elasticities (that may be regarded to be the result of employer practices) and by lower rates of absenteeism (that would be indicating worker behaviour), but not by better employment, productivity and export trends.

This paper endeavours to supplement those findings with the analysis of the impact of labour law reforms in individual countries. The question to be addressed is: did the changes in the rules governing employment contracts and lay-offs appear to have affected each country's labour market operation and labour force structure? To this end, I discuss the reforms to the employment protection regime for the private sector implemented *circa* 1990 in seven South American countries (Argentina, Brazil, Chile, Colombia, Ecuador, Peru and Venezuela), that dealt with employment contracts, individual and collective dismissals, and income maintenance schemes for the unemployed, and an attempt is made to assess some of their short- and medium-term labour market impacts. According to the guiding hypothesis, the "flexibilization" of contractual-dismissal rules may be expected to affect employer and worker behaviour and the employment structure (e.g. employment-output elasticities, the proportion of temporary workers and of workers with short-term job tenure, turn-over rates), but not the levels and growth rates of employment and unemployment.

The paper is organized as follows. First, I review labour law coverage and some relevant aspects of employment protection regimes in the selected South American countries to assess how these countries stand *vis-à-vis* the industrialized OECD countries and how significant is the labour force segment protected by legislation. Then, the rationale behind labour law reforms is discussed and the specific changes introduced are examined in detail. Finally, some of their labour market effects are analyzed in detail, concluding that the evidence suggests that the weakening of employment protection, while likely to have influenced employer practices and short-term employment changes, did not stimulate employment creation in the medium term; thus the declared purpose of the reforms was not fulfilled.

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[8] Primo Braga et al. (1995:22), for example, view the growth of unemployment in Argentina following trade liberalization as the outcome of ... "onerous labor market regulations [including] anti-employment accidents legislation, collective bargaining set at the level of the industry ..., and high and distortive taxes on wages..."; and in relation to Peru, they assert that "[labor security legislation] reduced drastically the creation of productive employment opportunities in the formal sector..."(:22). On a similar vein, Naím (1995:58) stated that "[Latin American] exporters still face such hurdles as labor codes that stifle worker productivity."

EMPLOYMENT PROTECTION COMPARED: SOUTH AMERICAN *VIS-À-VIS* OECD COUNTRIES

In South America the labour code protects, in principle, all wage earners employed in private activity[9] and, generally, also the workers of state-owned enterprises, while civil service employees are covered by special statutes. The size of the labour force segment protected by the labour code is thus quite substantial, and varies according to the importance of wage in total employment, a figure that of course differs across countries as does the extent of enforcement of legal protection.

At the turn of the 1980s wage earners were over 60% of the labour force in Argentina, Brazil, Chile and Venezuela; in Colombia, Ecuador and Peru waged workers represented more than 50% of the urban labour force.[10] State employees protected by the special civil service regulations accounted for some 15-25% of all wage earners.[11] Many waged workers are employed not or only partly complying with labour laws. They receive less or none of the social benefits stipulated by legal regulations; particularly, the obligations concerning social security contributions and lay-off compensation tend to be evaded more often. These "informal" waged workers reached about one third of wage employment in important cities of several of the countries analyzed in this paper.[12] Nonetheless, in theory they are protected by labour legislation, and to some extent labour standards represent the frame of reference for the contractual conditions prevailing in informal activities. But one of the most regularly used mechanisms to evade payment of social benefits is to avoid the very wage employment status, and the wage earners thus "disguised" as self employed workers - an increasing proportion - seldom would be able to provide proof of their entitlement.

In any case, and even though non-compliance with labour laws generally is considerable, the differences in the objective possibilities for potential legal suits following unfair practices, deriving from cross-country variations in employment protection regimes, should be reflected in differential degrees of effective labour protection.

Naturally, in the advanced OECD countries the scope of labour law coverage is much more extensive as it depends, first, on the importance of wage in total employment (much more substantial in industrialized countries) and, second, on law enforcement (indeed much laxer in South American countries). But within its narrower reach and with its much more limited enforcement, still labour law protection in South America cannot be said to be negligible. So

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[9] With the exception, in some countries, of special groups, such as domestic service, rural workers and homeworkers, often covered by *ad hoc* statutes.

[10] Data are from population censuses and household surveys.

[11] On the basis of data on state employment in Marshall (1990).

[12] Estimates diverge according to whether we consider either only social security coverage or obtention of all social benefits. In countries such as Brazil there are wide differences in coverage across regions.

much so that at the turn of the 1980s the elimination of many, allegedly "excessive", labour regulations became one of the cornerstones of the economic policy packages.

The (restrictive or permissive) nature of *employment protection regimes* depends on dismissal laws, but also on the legal regulation of employment contracts not protected by lay-off legislation, and on the mechanisms of employment protection agreed through collective bargaining. Unemployment insurance and other income maintenance schemes for the unemployed contribute to the characterization of the protection regime. In addition, the actual degree of enforcement of laws and collectively agreed rules must be taken into account.

The employment regulations (contracts and dismissals)[13] prevailing in the South American region until the end of the 1980s have usually been regarded as being fairly extensive according to international standards, and highly protective of workers' rights against dismissal: they provided for advance notice and/or lay-off compensation and, in certain cases, worker reinstatement; the just causes of lay-offs were stipulated generally quite in detail (typically: to leave work and repeated absence without a valid motive; intentional damage; serious offence), and seldom included the economic needs of the firms; and temporary contracts faced restrictions in several countries. Regulations are relatively intricate; this complexity was often the product of successive partial labour law modifications. Employment protection regimes include so-called capitalization funds, according to which there is a fixed cost for employers, independent from each individual dismissal; these funds may exist in addition to or instead of forms of employer compensation (severance pay) due in situations of unfair and collective lay-offs. Employment protection regimes may be ranked along a continuum that goes from permissive to restrictive of employer decisions, on the basis of the combination of regulations on employment termination in cases of unfair and collective dismissal, including capitalization funds, and on temporary contracts. Capitalization funds and unemployment insurance schemes affect also labour mobility through their influence on the individual worker behaviour.

The countries examined had, prior to the 1990s reforms, either exclusively dismissal compensation (Argentina, Chile and Peru), or a combination of compensation and capitalization fund (Colombia, Ecuador, Venezuela and to some extent Brazil). Not all of them included in their labour codes advance notification of lay-offs in cases of unfair dismissal, and divergences in the regulation of collective lay-offs were noticeable (Chile and Venezuela had no restrictions). Unemployment insurance or assistance provisions existed in Brazil, Chile and Argentina,[14] but were very limited in scope. The reforms implied certain degree of convergence as more countries established capitalization funds (Peru) and created or extended unemployment insurance

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[13] Here, as in the rest of this paper, I refer to regulations that apply to the generality of wage earners and not to the many specific norms for women and minors, apprenticeships, and special occupations, professions, areas, etc. included in most labour codes. The only specific cases considered are temporary contractual modalities.

[14] From 1984 some unemployment assistance existed in Argentina, but was so limited that it hardly qualifies to be called a 'scheme'.

(Venezuela, Argentina).[15] All of these countries had some regulations defining and restricting the use of temporary contracts.[16]

South American labour codes have made extensive use of thresholds, in particular to qualify for the strongest forms of protection (such as the right to reinstatement in unfair dismissals). Already before the 1990s' reforms, at least four hours a day in Peru and 10 years of service in Colombia were necessary to obtain job security; three months of continuous employment with the same firm were required to be entitled to lay-off compensation in case of unfair dismissal in Argentina and Peru, one year in Chile and Brazil, and eight months in Venezuela; firm size (defined in terms of number of employees and/or production value) affected entitlement to some benefits in Colombia and Venezuela. Apart from the foregoing, the diverse forms of temporary contracts implied specific exclusions from entitlement, the most important of which is lay-off compensation (some contracts require reduced compensation at termination, e.g. in Argentina). Exclusions may affect a comparatively marginal segment of the wage earning labour force or a more substantial portion (for instance, temporary employment was a mere 1% of wage employment in Sao Paulo, in the range of 10-15% in Buenos Aires and the main Colombian cities, but over 30% in Lima).[17]

In most of the EEC countries the law provides for advance notice and compensation in case of unfair dismissal (length and amount vary across countries), and in many of them temporary contracts are regulated (only two of the 12 EEC countries have no restrictions whatsoever, and other three little limitations).[18] But in the advanced European countries it was not dismissal compensation costs but advance notice requirements and the legal procedures involved in lay-offs what employers ranked as the most serious interferences (Emerson, 1988) with their freedom to separate "at will" the unwanted workers. Dismissals, particularly collective lay-offs, often require some intervention of work councils or trade unions, and sometimes also prior government authorization.[19] In addition, collective agreements may include clauses on

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[15] The Chilean government proposed in 1993 a new unemployment insurance system that would share with capitalization funds the fact that contributions would be deposited in a worker's personal savings account (see Cortázar, 1995); in 1995 it had not yet been implemented.

[16] Regulations on dismissal, temporary contracts and unemployment insurance in the selected South American countries are summarily described in tables 1, 2 and 3.

[17] Data are for the late 1980s. See Marshall (1994a) on the role of labour laws in explaining these disparities.

[18] Details are in European Commission (1994); OECD (1993); Mosley (1994).

[19] In Luxembourg, Portugal, Spain and the United Kingdom employers must consult with employee representatives before unfair dismissal; in the Netherlands individual dismissal requires prior government authorization; in all EEC countries collective lay-offs require prior consultation with worker representatives and advance notice to the government, and prior government authorization in the Netherlands, Greece, Spain and Portugal (Mosley, 1994). In Germany, for instance, the works council must be consulted before dismissals, although management retains the final say; the works council has some say in the event of massive lay-offs

massive dismissals and/or on temporary contracts.

By contrast, in South American countries, government authorization was required only in the case of collective dismissals and, even then, only in a few countries (e.g. in two - Colombia and Peru - out of the seven examined here).[20] Legally stipulated union intervention in approving, delaying or impeding lay-offs is practically non existent in South America,[21] where the state plays a paternalistic role and labour organizations often are less autonomous and have little strength (this does not mean, of course, that unions in South America will not take action in the event of dismissals, particularly collective redundancies, to avoid, delay or minimize lay-offs). Further, while in the South American countries employment standards legislation in respect to dismissals in practice tends to set, with a few exceptions confined to specific economic activities, not only the minimum but also the maximum standard, in Europe it tends to establish the floor of rights, that is exceeded by arrangements agreed through collective bargaining, that generally increase worker protection. Last, law enforcement in the South American region is distinctly laxer than in OECD countries, and this works as a factual extension of the "loopholes" where dismissal protection does not apply.

While comparison with EEC countries, where legal employment protection tends to be stringent, sheds some light on the limitations of South American employment standards legislation, comparison with the U.S. and Canada, where employment protection is laxer, may highlight different aspects, one of which is the impact of law enforcement. In several Canadian provinces,[22] for instance, the notice period may exceed the usual one-month warning in the South American countries analyzed in this research,[23] but severance pay is strikingly lower in

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(management should inform, consult and negotiate a social plan to compensate the dismissed workers); see Abraham and Houseman (1993). Buechtemann (1993) cites evidence on the weak effective role of either works councils (Germany) or government intervention (France) in impeding dismissals, but also notes the psychological impact of regulations. In any case, the situation in Europe in this respect clearly differs from what prevails in South America.

[20] Bronstein (1990) noted that in Latin America protection against collective dismissal is underdeveloped. According to Dombois and Pries (1994:66), in the 1980s [Colombian] "employers sought to circumvent the need for government approval for mass redundancies by concluding apparently voluntary redundancy agreements" to avoid potential rejection or delays; after the 1990 law reform, ..." applications for mass redundancies are being made directly to the ministry, where they are being decided rapidly and in the employers' favour (examples: Sofasa-Renault and Avianca).

[21] One exception, at least in paper, is that of Brazil (see table 1).

[22] Most of the employment protection legislation in Canada comes from the provincial governments (Baker et al., 1995); federal and provincial legislation do not supersede each other but apply to different activities. In certain aspects, some provincial laws are somewhat more restrictive than federal legislation, but anyway both place Canada at a relatively low position within the OECD context (data in OECD, 1993:97). See also summary information in table A, Appendix.

[23] Advance notice requirements vary across jurisdictions, averaging about a one-week notice per year of employment, with an eight-week notice maximum (Baker et al., 1995).

Canada (two-day wages per year of service and only after one year continuous employment with the firm according to federal regulations, and one day wage after five years of employment in the Ontario province) than the customary one month per year (with top limits) in South America. Longer advance notification than in South American countries apply however in Canada to collective lay-offs,[24] and often efforts to minimize massive job losses in consultation with worker representatives are expected, but it is difficult to say whether, on balance, legislation in this particular aspect is tighter or laxer than in South America.

While somewhat more restrictive than in the U.S., Canadian legal regulations on unfair dismissal are much weaker than in Europe. Most major collective agreements include seniority provisions that regulate lay-offs, however.[25] And, indeed, the proportion of workers with short-term tenure is higher in Canada, and that of workers with long tenure (10 years or over) smaller, than in most European countries, but comparable to the U.S.[26] Turn-over rates also are higher in Canada than in Europe, but again similar to the U.S.[27] But the job tenure distribution of Canadian workers shows considerable similarity with those of workers in South American countries that supposedly have a much more restrictive legislation on dismissal; further, among Canadians the share of long-term tenured workers is larger than in certain South American countries (table B, appendix).[28] Apart from the fact that the protection of collective lay-offs could be considered to be tighter in Canada, factors other than the global permissive/restrictive

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[24] Collective lay-offs demand a notice period (eight to 16 weeks), that varies according to the number of workers to be dismissed (starting with 50 employees, sometimes 10; Baker et al., 1995), within a determined period, generally four weeks; there is some variation across jurisdictions (Labour Canada, 1993-94).

[25] Meltz (1989) found that job security provisions in collective agreements normally do not provide employment guarantees but do regulate the lay-off mechanism (seniority, notice, recall procedures, severance pay, etc.), and less often also the contracting out of work. Carter (1989) argues that most collective agreements restrict the managerial prerogative with "just cause" provisions in cases of "discharge", that might lead to individual worker reinstatement, and seniority lay-off regulations, while many have clauses impeding the contracting out of work.

[26] The share of workers with less than one year employment was 28.8% in the U.S. and 23.5% in Canada, but 15.7% in France and 12.8% in Germany (however in Spain and the Netherlands the figures are close to those for Canada, as temporary contracts were unusually widespread, particularly in Spain; OECD, 1993). Note that this OECD study did not find a strong relationship between job security legislation and job tenure distributions.

[27] Separation rates in 1986, for instance, were 2.0 and 2.2 in Canada and the U.S., respectively, but 1.0 in France and 1.5 in the U.K. ((Lemaitre et al., 1992).

[28] Note that turn-over rates in Canada are similar to Brazilian rates but exceed Argentinean's (table C, Appendix), somewhat in contradiction with the comparative structures of job tenure (in the South American countries, turn-over rates come from enterprise surveys, and job tenure distributions from household surveys, the latter covering a much wider spectrum of workers).

nature of dismissal legislation clearly are at work here.[29] On the one hand, the differential degree of law enforcement and compliance - low in South America and high in Canada.[30] On the other, in Canada the seniority rules that regulate lay-offs, established in collective agreements, are widespread, while very probably in the South American countries such rules are confined to a few economic activities; this could contribute to explain the higher proportion of workers with over 10 years tenure in Canada. Besides, differences in the size distribution of firms and in employer internal labour market policies, as well as in the incentives to voluntary employment terminations surely need to be taken into account. Finally, the use of temporary workers is extensive in certain South American countries where regulations on dismissal are taut or lay-off costs are high.

There is no specific legislation regulating temporary work in Canada (OECD, 1993) and, given the absence of serious constraints on lay-offs, there is little incentive, in any case, to foster use of temporary contracts. Use of temporary work in Canada in the late 1980s, a figure comparable to that of countries with more restrictive dismissal legislation, seems to be concentrated in sectors that normally have "intrinsic" requirements for temporary work, such as construction.[31] At that time, the share of temporary in total employment in certain South American countries (e.g. Argentina), where temporary work is legally regulated, was not far from the figure for Canada, where it is not restricted;[32] in others (in Colombia and, particularly, Peru), it was, however, more widespread, in agreement with their more severe lay-off regulations (Marshall, 1994a).

Unemployment insurance schemes[33] are extremely much more developed in Europe and North America than in South America. In fact, what sets the most important difference between OECD and South American countries is the unemployment insurance system and the existence in the former of active labour market programmes.[34] Unemployment insurance schemes, if they

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[29] One lesson to be drawn from this comparison seems to be that it is more fruitful to compare intra Latin America, intra EEC or intra North America, than inter regions characterized by extremely different labour markets and labour protection regimes.

[30] On the latter, Baker et al. (1995).

[31] See OECD (1993). In 1989 about 8-10% of all workers were employed in temporary jobs (defined as contracts of less than six months' duration), a proportion close to those in Germany (11%) and France (8.5%) in the same year.

[32] Note that the definitions of 'temporary' employments differ.

[33] Under unemployment insurance I include hereon the so-called unemployment assistance schemes.

[34] See Gunderson and Riddell (1995; OECD data for 1990) for GNP share of unemployment insurance expenditure in North America and Europe, and Boyer (1993) on active labour market policy expenditure. In Latin America the GNP share of unemployment insurance expenditure seems to be negligible (see Freije Rodríguez et al., 1994 on Venezuela); it would be interesting to have data (n.a.) on the GNP share of capitalization funds.

exist at all in South America, have a very limited coverage (table 3),[35] and active labour market policies in general are entirely absent. While the formal wage replacement rate and duration of benefits of the unemployment insurance systems in South America at first glance might look to be not that far from those of the schemes of OECD countries, the actual benefits are generally far below that of advanced countries.[36] Further, the degree of effective coverage is significantly distinct. One reason behind this is that in the EEC countries generally involuntary employment termination is not a requisite for entitlement to unemployment insurance benefits (although a waiting period applies in certain countries if unemployment was voluntary), while in South America, except for Venezuela, only workers in involuntary unemployment (dismissed without just cause, made redundant collectively, etc.) are entitled.

Comparison of the South American situation with Canada is illuminating as the latter's scheme of unemployment insurance is considered to provide substantial coverage in the international context.[37] In 1990 the actual wage replacement rate in Canada exceeded those of eight out of 13 OECD countries, although in terms of unemployment benefit duration Canada ranked much lower (exceeding only four of 16 countries).[38]

The high degree of effective coverage of the Canadian unemployment insurance[39] contrasts sharply with South American unemployment insurance schemes (see table 3) as does the actual proportion of unemployed workers receiving unemployment benefits. Eligibility criteria including qualifying period are less stringent in Canada and, of course, the proportion of wage earners (i.e. the universe of those eligible) is much larger.[40] But the factors that may explain the insignificant degree of unemployment insurance coverage in South America also include the different composition of the unemployed population - in South America many had been employed without registration ("illegally") and not insured with the social security system,

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[35] In this table Uruguay is also included, although no major reforms were introduced lately, as it has a relatively old unemployment insurance system.

[36] Wage replacement rates and benefit duration vary considerably across the EEC countries, and in 7 out of twelve EEC countries benefits are in fact unlimited in the second stage (when benefits represent a lower proportion of wages); often benefits considerably exceed those of South American unemployment insurances (see Reissert and Schmid, 1994; European Commission, 1994).

[37] See OECD (1993) and Gunderson and Riddell (1995).

[38] OECD (1993). Wage replacement rates in Canada went down from 67% in 1972 to 55% in 1994, and there is a ceiling; the duration of benefits varies with regional unemployment rates and the number of weeks worked in the previous year, to a maximum of 50 weeks (see Gunderson and Riddell, 1995, for further detail). In 1988 the average duration of unemployment benefits was 18.1 weeks (estimate in Card and Riddell, 1993).

[39] See Card and Riddell (1993); Gunderson and Riddell (1995).

[40] All workers except those aged 65 and over, the self employed, those working less than 15 hours a week and those earning less than 20% of maximum weekly insurable earnings are eligible; the qualifying period is 12-20 weeks depending on regional unemployment rates (more details in Gunderson and Riddell, 1995).

or had been employed in sectors not covered by the schemes, such as domestic service and often construction. Besides, information, particularly on new schemes, is little widespread.

Mandatory compensation for unfair dismissal in South American countries (including the recently spreading capitalization funds), linked to length of service (normally a full monthly wage per year of employment), might make protection somewhat more equivalent to that of unemployment insurance, but only in the case of workers with long job tenure and provided no time limit was imposed on compensation (for example, in Chile there is a 10-month maximum compensation, to be obtained by workers with ten years of service or more). Short-tenure employees clearly are at a disadvantage in South America *vis-à-vis* Canada,[41] and since the cost of dismissing these workers is low, protective legislation is no serious deterrent. Paradoxically, in Canada the relative cost to employers (i.e. the unemployment insurance payroll tax) seems to be lower than employer contributions to the capitalization funds in South America.[42]

LABOUR LAW REFORMS

The reforms to labour laws undertaken at the end of the 1980s-beginning of the 1990s in the South American region followed contrasting paths in, on the one hand Argentina and Peru, and on the other Brazil, Chile and Venezuela. Reforms in the first group of countries were oriented to relax labour protection while in the second protection was improved *vis-à-vis* what in Brazil and Chile earlier had been clearly less protection than the average for the region. Reforms in Colombia and Ecuador, while globally directed also at curtailing protection, were somewhat hybrid, in the sense that in certain areas it was loosened but in a few others strengthened. The reforms were either introduced once and for all or resulted from piece-meal accumulative changes that, in Peru for instance, implied an extensive body of new regulations enacted through numerous Executive decrees.

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[41] The minimum of two and a half months of unemployment benefits in Canada is equivalent to mandatory lay-off compensation corresponding to two and a half years of tenure in South America.

[42] In Canada contributions have been modified often by the government. Until 1990 unemployment insurance had tripartite financing. After the 1994 reform, contributions were 4.3% and 3%, employers and workers respectively (Gunderson and Riddell, 1995). In Brazil, the employer contribution to the termination fund is 8% of the wage bill, 9.7% in Peru and 9.9% in Venezuela. Some of these countries have also unemployment insurances, but employer contributions are low (1.5% of the payroll in Argentina, and 1.7%, with a ceiling, in Venezuela, for instance).

Rationale behind labour law reforms

Labour law[43] is one of the most crucial of state instruments to regulate the supply, price and conditions of use of labour as well as social conflict,[44] and as such its contents tend to be reformed to adapt labour market operation to changes in the prevailing economic model. Labour legislation constitutes one of the clearest expression of the dominant ideology and state's labour policy, but expresses also the outcome of the political struggle inherent to the legislative process. The legal regime tends to be more stable than other labour policies, showing stronger resistance to change. This notwithstanding, at certain times of harsh economic transformation, and subjected to strong pressure, the legal system might be adjusted quite fast to the new economic and social environment, and this often implies the legalization of preexisting but *de facto* practices. This might have been the case in certain South American cases at the turn of the 1980s, although the many hesitations and numerous regulations in opposite directions might be expressing the social and political resistance to reform the well established legal systems.

The governments of Argentina, Colombia, Ecuador and Peru, and in fact also Venezuela, at slightly different times, to diverse degrees and indeed with varying success, were actively devising and applying economic programmes that followed the basic prescriptions of what was to be known as the "Washington Consensus": redefinition of state activity (deregulation, privatization), and trade, financial and foreign investment liberalization. By the turn of the 1980s and early 1990s the neoliberal move in Latin America's prevailing economic strategies was sweeping. In Chile, certainly the pioneer in the turn toward neoliberal economic programmes within the Latin America context, those objectives had been accomplished much earlier.[45] With the *Plan de Convertibilidad* of 1991, president Menem's government liberalized trade in Argentina, deregulated the financial system and the inflow of foreign capital, established the free convertibility of domestic currency, while in fact fixing a low exchange rate to be backed by international reserves, partially privatized the social security system, and sold most of state enterprises (Marshall, 1994b). In Colombia, starting in 1990 during president Gaviria's term, drastic reforms were introduced with a view at opening up the economy (elimination of the

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[43] Substantive labour law stipulates the minimum and maximum labour standards, and legislation on procedure who are entitled to set and enforce them. While the former limits the entrepreneurial prerogative and the freedom of contract, regulation on procedure shifts negotiation from the individual worker to collective agents, namely trade unions (Muckenberger, 1989).

[44] The other instruments of state social intervention that regulate labour and conflict are social transferences and free provision of goods and services, social security, population and family law, and labour market policies (Cortés and Marshall, 1993). Unemployment insurance schemes may be regarded as part of the social security system, state social transferences, labour market policies, or a combination thereof. In any case, hereon, when I speak of labour laws, I am including unemployment insurance, no matter whether it is financed out of employer and worker contributions and/or general state revenues, and whether they provide money transfers.

[45] See e.g. Paus (1994); economic restructuring in Chile started about 1974 under the military government, with price, financial and import liberalization; social security reform followed, while privatization was to be a more gradual process.

system of import licenses and reduction of protectionism in 1990-91), eliminating foreign exchange controls (1990), restructuring the public sector, and changing the social security system (1993).[46] An earlier (1984-88) neoliberal stabilization plan in Ecuador was followed by the more interventionist stance of Borja's administration, during whose term (1988-92), however, labour laws were reformed.[47] More resolute market-oriented policies were reintroduced as from 1992, with president's Durán's new stabilization plan. Labour law reform in Ecuador thus predates the application of the liberalization programme. But at the time of the labour law reform the government had been keen in attracting foreign investment and in 1991 applied some measures to this end (Hofman and Buitelaar, 1994); the creation of maquila industries (with fewer restrictions on profit remittances and waiving of trade licenses),[48] where the labour code did not apply, as well as the changes in labour laws should be viewed in the context of this more liberal attitude to foreign investment. President Fujimori's policies in Peru adopted quite similar contents since 1990,[49] and in Venezuela, it was Pérez who, since 1989, attempted to put in practice the same ideas but faced several obstacles that hindered full implementation even before the political collapse of 1992-93.[50] In Brazil, however, the steps towards conversion to a more market-oriented economic programme were more hesitant; the process seems to have been gaining momentum only as late as 1995.

In the countries that at the turn of the 1980s pursued the "flexibilization" approach in relation to labour laws while adopting neoliberal economic policies and undertaking "state reforms", the passing of the new legislation was preceded and accompanied by debates, often heated, that reproduced the "flexibility" controversies in Western Europe during the 1980s. In Argentina, for instance, the "flexibilization" of employment standards started to be discussed in the late 1980s, and by 1995 the debate had not yet ended. The Executive promoted successive projects - each one in turn considered to have failed and insufficient to achieve the sought for labour "flexibility"; trade union leaders accepted each successive reform in exchange for other issues at stake, such as preservation of the traditional trade union control of the funds of the employer-and-worker-financed health care scheme. In this group of countries governments and business claimed that the loosening of labour protection was indispensable to foster competitiveness in an increasingly internationally integrated economy. The allegedly high labour protection was considered to have been "affordable" only in economies sheltered from international competition, and no longer appropriate to the new orientation of the economic strategies, that had switched from import-substitution industrialization for the domestic market toward export-led growth. It was sustained that certain labour rights slackened the work effort,

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[46] More details are in Reyes (1994).

[47] See de Janvry et al. (1994) for a detailed analysis of the evolution of economic policies in Ecuador and, in particular, the somewhat contradictory steps taken during the 1988-1992 period.

[48] de Janvry et al. (1994).

[49] Seminario and Galarza (1993).

[50] Further details are in Naím (1993).

discouraged labour productivity growth, fostered illegal employment practices, and deterred business from creating employment. The reduction of labour costs and greater freedom to manage the work force resulting from curtailed employment protection were expected to promote employment generation - at least this was the declared aim and justification of several legal pieces introducing or facilitating flexible contracts, and in Peru the bill indeed was named "employment promotion act".

Why did labour legislation reform in Brazil (1988), Chile (1990) and Venezuela (1990) go in the opposite direction? No doubt Chile, followed by Brazil, before the reforms had much less restrictive labour protection regimes than other South America countries, and the change towards improving protection was associated with these countries's democratization process. The former erosion of labour rights had been one central component of not only the military's repressive labour policies but also of their economic strategies,[51] that in the case of Chile had implied the total transformation of individual and collective labour legislation. After lengthy debates - and employer opposition - the civilian government in Chile undertook as from 1990 modest legislative reforms in crucial areas, in the context of decreasing unemployment levels and improving economic performance. In Brazil too, collective labour regulation had experienced major setbacks, and constraints on dismissals had been relaxed in 1966; the 1988 Constitutional reform was intended to reverse, at least partially, that situation. In Venezuela the new labour law project had been drafted earlier (1985), and was to be approved by Congress after prolonged discussion, five years later, during Pérez' mandate; Pérez opposed a project that was considered to be inconsistent with the ongoing economic liberalization process and tried to get Congress to postpone its treatment, but did not exercise his right to veto a law that was supported by most political parties and the unions.[52]

The reforms[53]

I consider here three main areas of change in labour laws: contracts, individual and collective dismissal, and unemployment insurance schemes. In tables 1 to 3 pre and post reform features in each of those areas are shown for each country.[54]

Contracts

The scope of application of labour law seldom is universal, even if we consider wage

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[51] See Paus (1994) on Chile.

[52] On the developments preceding the new labour law see Ellner (1993).

[53] The examples of legislative reforms mentioned below do not exhaust the changes introduced.

[54] In these tables I describe only the major reforms affecting the generality of wage earners, that is, not those applying to specific groups, cases and circumstances.

earners exclusively. In general, by defining those who are entitled to social benefits, laws simultaneously define those who are to be excluded from access to legal protection.[55] This is achieved by fixing entitlement thresholds (in terms of hours of work, firm size, working days, age, whatever), that originate a legally-based form of labour fragmentation that adds to the well known social mechanisms that generate segmentation in the labour market. Protective legislation and trade-union negotiated regulations mean additional labour costs (in the present case, mandatory severance pay and advance warning, contributions to social security) and, besides, many employers consider that they undermine labour discipline and the work effort. Both factors give rise to practices devised to avoid or mask either the constitution of the wage employment status (e.g. contracting out to self employed workers) or at least the paradigmatic relationship (resorting to situations or contracts characterized by some exclusion from entitlement to benefits entailed by the standard employment relationship). These practices may be built upon exclusions already imbedded in the legal system of labour regulation ("atypical" or "non standard" contracts) or enter into the spurious or fraudulent use of legal exceptions, including fragmentation of the working day to profit from a less than four-hour threshold; fictitious divisions of firms to qualify for "small" firm benefits; misuse of temporary contractual modalities; etc. (Marshall, 1992). The least are the legal "loopholes" available to firms, or the more restrictive is legislation on their utilization to evade the standard employment relationship, the most extensive would be the use of downright illegal practices including the wholly clandestine employment forms.

Some reforms to labour legislation were intended to expand the legal "loopholes". The most conspicuous mechanisms for extending exclusions from entitlement normally are i) to change the length of the "trial period", during which workers have no rights to protection against dismissal and sometimes neither to other benefits (not implemented in the reforms discussed here; instead, in Venezuela the minimum period for being entitled to dismissal compensation was shortened); ii) to create new modalities of temporary, casual and other specific contracts, or to eliminate or reduce restrictions on the utilization of preexisting ones; and iii) to establish "free zones" and "maquilas", not covered by labour codes, to be governed by distinct and laxer rules. The daring attempt in 1995 in Argentina at exempting so called "small firms" from certain of the general labour code regulations,[56] that followed the Employment Law of 1991 where a number of "promoted" temporary contracts had been established; the variety of new temporary contracts created in Peru as from 1991; the loosening of limitations on temporary contracts - that already were extremely easy - enacted in 1990 in Colombia (elimination of the one-year

[55] This is the "selective function" of the standard employment contract, according to Muckenberger (1989).

[56] The "New Labour Regime for Small and Medium Enterprises" defined the 'small firm' in terms of both number of employees and output volume. I do not discuss here the 1995 reforms in Argentina as it is too early to examine their labour market impacts.

minimum);[57] the creation of "maquilas" and free zones in Ecuador and Peru,[58] and of part-time contracts in Ecuador for week-end work with ordinary instead of overtime wage;[59] all these were intended to facilitate more flexible employment contracts with less entitlement to social benefits.[60]

But in the same years other countries tightened the restrictions on temporary contracts, consistently with their global move toward the strengthening of labour protection. In Chile the maximum period for fixed term contracts was reduced from two years to one, and in Venezuela from five to three years in the case of white collar employees (but skilled manual workers became worse off with the new rules); further, in Venezuela the type of tasks for which these contracts were to be allowed was defined more restrictively.

Dismissals

Apart from establishing exclusions to the general protection against dismissal, dismissal rules may be modified directly by addressing, among others, the causes for fair dismissal, the very existence and amount of, and the entitlement requirements to, lay-off compensation, and the rules on job security in the strict sense (right to reinstatement). In Peru the causes for fair dismissal were extended to include "absence of punctuality" and deficient worker performance under certain conditions, and the right to reinstatement was weakened. A reduced employer compensation was to be supplemented by the newly created capitalization fund. In Argentina, lay-off compensation had been increased in 1989, as the basis for calculating the ceiling to length of service compensation was raised from three minimum wages to three total earnings exclusive of seniority benefits. This change preceded the economic reforms and was against the "spirit" of the other labour law reforms. In Ecuador the "stability clause" - a minimum of one year of employment before "eviction" is to be allowed - was (somewhat) relaxed and advance notice eliminated, but compensation for unfair dismissal was made more favourable to workers, and

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[57] In Ecuador the orientation of the changes in the regulation of temporary work seems to have been less clear: while the one-year minimum requirement was somewhat relaxed, at the same time the nature of the contracts was defined more precisely and the requisite of "objective causes" for casual/occasional contracts was introduced. Pita (1993) argues however that with the Labour Code reform a broader range of contracts became available to employers.

[58] The labour regime to be applied in free zones and maquilas established that all employment contracts (which are renewable indefinitely) are temporary, remunerations and working conditions freely agreed (with some limitations in Ecuador), and there is no job security.

[59] See Pita (1993).

[60] At the same time, in some countries the activity of temporary labour agencies and intermediaries was regulated further, generally to prevent abuses and fraud. In Colombia, for instance, the 1990 law defined the rights of workers employed through labour agencies and stipulated the conditions in which such agencies were to be permitted to provide labour. Also in Argentina their activities became more extensively regulated as from 1991, worker rights were made explicit, and the joint responsibility of the user firm in relation to all social benefits (eliminated in 1976) was reinstated.

employees who lost their jobs due to collective lay-offs became entitled to compensation.[61] In Colombia, employment stability, until 1990 available to workers with 10 or more years of continuous employment with the same firm, was eliminated (and compensation for these workers was slightly raised), the global cost of dismissal was lowered,[62] and "firm modernization" was included explicitly among the accepted causes for massive lay-offs; however, collective dismissal (now more precisely defined) was made more onerous and the previous reduced compensation for small firms was eliminated in the case of unfair (but not of collective) lay-offs. In Venezuela employer compensation was eliminated; compensation was to come out exclusively from the capitalization fund, the benefits of which are granted to all workers, whatever the cause of employment termination.

But Venezuela is best characterized by its reinforcement of worker protection against dismissal, as "absolute" job security was introduced in 1990 (the right to reinstatement), susceptible to be replaced by the double of the normal lay-off compensation,[63] and lay-offs due to force majeure acquired the same status as unfair dismissals.[64] The cost of lay-off was increased in Chile, but this had an impact only for workers that had been employed over five years, as the change approximately doubled the time ceiling to lay-off compensation; the earlier clauses that had been intended to rule out the collective action of workers were eliminated from the fair causes of dismissal; on the other hand, in the event of dismissal due to "modernization and economic needs of the firm" workers are now entitled to compensation as in unfair lay-offs. In Brazil the lay-off "penalty" on employers was increased in 1988 from a mere 10% to 40% of the accumulated individual worker employment termination fund; the penalty for collective dismissals was also raised.

Unemployment insurance schemes

As we have seen, very few South American countries had unemployment insurance schemes prior to the 1990s, and where they existed they were embryonic; benefits were very small and coverage confined to very few unemployed workers. In some of these countries, the system was improved substantially (Argentina), although coverage continues to be very limited. Others established schemes for the first time (Venezuela). Even though there has been considerable discussion on the benefits of incorporating unemployment insurance schemes to the labour protection regimes, so as to separate individual and collective lay-offs from direct compensation costs for firms and to facilitate labour mobility while providing income

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[61] According to Pita (1993) the reforms tended to undermine employment security.

[62] This was due to the reform of the capitalization fund (to which workers are entitled irrespective of the cause of employment termination) that eliminated the clause adjusting the accumulated fund each time wages were raised and changed the rules that governed partial withdrawals from the fund. According to López (1993), the pre reform regulations had stimulated short-term employment.

[63] See more details on how compensation is estimated in Freije Rodríguez et al. (1994).

[64] An effort was made also at characterizing more precisely the fair causes of dismissal.

maintenance to the dismissed workers,[65] on the whole, in the countries studied, the systems continue to be rudimentary.

Given the very marginal role still played by unemployment insurances in the South American countries examined, it seems premature to attempt the study of their labour market impact.[66] The cases of Argentina, Brazil and Venezuela are the only ones where comparison over time would be possible but, as mentioned earlier, coverage is too small to allow a really meaningful analysis.

LABOUR MARKET IMPACTS OF LABOUR LAW REFORMS[67]

Increased protection against unfair and/or collective dismissal may be expected to be followed by the decline of employment sensitivity to short-run changes in the level of output (i.e. by the fall of the employment-output elasticity),[68] and by less turn-over than before the labour

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[65] See e.g. the 1993 proposal for Chile still under debate in 1995, that combines mandatory severance pay, mandatory individual savings and employer contributions (a kind of capitalization fund), loans and a component of income transfer to the poorest unemployed (Cortázar, 1995).

[66] Amadeo and Gonzaga (1994) argue that in Brazil the unemployment insurance scheme stimulated informalization as workers were able to simultaneously work and cash unemployment insurance benefits during four months, while employers avoided registering these workers and thus paying the corresponding social security contributions; this allegedly was possible because of the lack of government control on the activity of the unemployed receiving unemployment benefits; no estimates are presented on how important might this segment of the unemployed be. They suggest that the introduction of the unemployment insurance in 1986 contributed to downplay the adjustment role of unemployment in recessions.

[67] Only fragmented data were available, and with these we try to provide a tentative evaluation of the impacts of the labour law reforms described above. In particular, at the time of writing, employment data for Ecuador were not readily available, so that in this section I discuss trends in the other six countries only.

[68] Available data for the South American countries analyzed are for manufacturing. That is why only employment-output elasticities in manufacturing are examined in what follows. More sophisticated analyses of the relationship between employment protection and employment-output elasticities are e.g. in Abraham and Houseman (1993a and b), who found that in the short run German employers adjusted employment levels to changes in demand proportionately less than their U.S. counterparts, but compensated this by adjusting hours (1993a) and that Japanese firms (not considering the small business sector that generally bears the burden of adjustment) adjusted employment more slowly than U.S. firms (1993b). Given the limitations of available data, such sophisticated techniques that differentiate between short (monthly) and longer term adjustment and consider time lags cannot be used in the analysis of South American countries; therefore, I compare average employment-output elasticities (i.e. the average of annual employment-output elasticities), before and after the legislative reforms, separating the recession and expansion periods.

While cross-country comparison of manufacturing employment-output elasticities in Latin America suggested that they tended to reflect inter-country differences in employment protection regimes (Marshall, 1994a), studies on Chile over time came with mixed evidence (see Allen and Labadie, 1994, and references therein).

law reforms, much more so if at the same time regulations on temporary contracts became more restrictive. Lower turn-over rates should also be reflected by changes in the structure of job tenure. By contrast, in the countries where dismissal was made easier and temporary employment specially encouraged, this may be expected to show in higher employment-output elasticities and turn-over rates than what had been the usual before the labour law reforms.[69]

What were the main trends in the three countries that tightened employment protection? In Brazil, the conclusions regarding the evolution of employment-output elasticities differ depending of what years of the pre and post reform periods are contrasted (table 4); however, if the two major pre and post reform recessions are compared (1982-83 and 1990-92), the employment-output elasticity - still rather high - clearly fell; this might be the consequence of a lower firing rate as a result of the increased penalty on dismissal. In addition, after the labour law reform there was some change in the structure of job tenure, in both the private sector at large and manufacturing in particular (a fall of the proportion of workers with shorter term tenure and an increase in the proportion with more seniority).[70] Two factors could contribute to explain this development: the decrease of turn-over rates (that declined gradually after 1988, with a slight recovery in 1993)[71] but also simply the lack of new hiring.[72] In 1990-92 a deep recession accompanied by productive reorganization led to the persistent fall of employment (a fall that continued through 1993) and the growth of unemployment.[73] The customary high turn-over in Brazil had been the outcome of both unconstrained dismissals and willingness of workers to voluntarily quit their jobs so as to have access to the accumulated income in their capitalization funds.[74] In turn, the fall in turn-over rates after 1988 (while the situation with respect to entitlement to the fund did not change), points as much to a change in business practices in response to the increased penalty imposed on employers in the event of unfair and collective dismissals as to a reduction in voluntary quits due to the growth of unemployment.

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[69] Ideally, the impact of changes in dismissal rules on the rate of effective lay-offs should be examined, but data are not readily available. This was studied (by looking at the labour force percent that is unemployed because of having lost the job) by Allen and Labadie (1994) for Chile, finding that a greater freedom to dismiss resulted in higher firing rates.

[70] Workers with up to 3 months employment were 14.3% in 1988 and 9.9% in 1992; those with over 10 years seniority, 11.9% and 15.4%, respectively (manufacturing); data are for Sao Paulo (SEADE-Diesse, 1988-92).

[71] Average monthly turn-over was 3.80 in 1988, 2.73 in 1993 (Amadeo and Gonzaga, 1994).

[72] The fact that the most substantial change in the structure of job tenure took place by 1992 rather than immediately following the reforms, points to the influence of absence of new hiring.

[73] Employment data are in CEPAL (1994a) and also, for Sao Paulo, in Andraus (1993); the unemployment rate in 1992 (5.8%) was almost double that of 1989 (data in CEPAL, 1994b; six metropolitan areas).

[74] The long standing role of the Brazilian capitalization fund in stimulating voluntary quits was noted by several writers (see references cited in Marshall, 1994a).

On the other hand, in this same period, the employment fall was concentrated in the group of employees with "*cartera assinada*" (the registered workers with access to all the legal benefits; -10.6% in 1989-92), while the employment of non registered waged workers, with no benefits, and of subcontracted workers increased (2.6% and 10.8%, respectively; Andraus, 1993). This employment restructuring to the detriment of regular and permanent employees and in favour of workers with a looser or more vague employment relationship might have been one sequel to the tightening of job protection. No special temporary contracts have been made available in Brazil - as they had in Argentina or Peru - and this might have contributed to expand "illegal" and "non wage" employment. In brief, the strengthening of employment protection in Brazil might have had some influence on labour market behaviour via changes in business practices: both less dismissals and expansion of subcontracting and non registered employment during the recessive period.

Also in Chile employment-output elasticities in manufacturing fell after the legislative reform (table 4), during a period (1991-93) of rapid economic expansion. But it is not possible to attribute such fall unambiguously to a slowing down in recruitment associated with the rise in the costs of potential lay-offs - as the neoliberal argument runs - and to the somewhat less permissive regulations on temporary contracts. First, the 1993 employment-output elasticity was only slightly below that of the pre reform (1983-90) expansion phase. And second, in 1990-92 productivity in manufacturing increased at a rate (4% per year) well above the 1980s' average (0.8% annually, Marshall, 1994a), to decline in 1993 (-4.8%). Thus, at first glance the evidence for Chile is consistent with what might be expected from the improvement in employment protection, but while the legislative changes might have played a role in explaining the drop in employment-output elasticities in 1991-92,[75] the latter might, just as well, been at least partially the result of a short-term "jump" in labour productivity growth, based on some labour-saving investment and improved organizational efficiency.[76]

Finally, the trends in Venezuela suggest that increased employment protection did not affect labour market operation in the expected way. In the recession after the labour reform the employment-output elasticity was higher than in the pre reform downturn, in spite of the tightening of protection against dismissal, while there was little change in employment-output elasticities in the periods of expanding activity (table 4).

Turning now to the analysis of short-term employment changes in the countries that "flexibilized" dismissal and/or contracts, what behavioural patterns are apparent? The expansion of manufacturing output in Argentina was accompanied by declining employment (table 4). The use of "promoted" temporary employment contracts was rather limited; for instance, it was

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[75] According to a case study of management reactions to changes in legislation, legislative reforms seem not to have had substantial effects on business practices; in particular, dismissal decisions were not affected by the somewhat higher lay-off costs. The sample consisted of 21 firms; see Romaguera et al. (1995) for more details.

[76] However, Romaguera et al. (1995) conclude that no intensive process of massive labour substitution was ongoing in these years.

estimated to have represented only some 1.5% of all new recruitment in the first half of 1994 (Feldman, 1995). But as manufacturing employment was falling, it would seem that temporary workers displaced some workers with open-ended contracts.[77]

If we now compare pre and post labour law reform periods of growing manufacturing output in Colombia, we see that the value of the employment-output elasticity increased (table 4) accompanying the loosening of protection. Besides, following the liberalization of fixed term contracts, the share of temporary employment augmented (in 1991-92), although to drop once again in 1993 to the earlier levels;[78] the increase is somewhat surprising, as legislation had already been extremely permissive in this respect, and the change in the regulations of contracts was relatively minor. The proportion of temporary in wage employment increased more in the small than in the larger establishments (López, 1993). While the cost of dismissal was curtailed and regulations on lay-offs became less restrictive, small firms ceased to be favoured by a reduced compensation in case of individual dismissal, and this factor might be behind the more marked increase in the use of temporary contracts in small firms. The parallel growth of temporary employment and presumable decrease in the proportion of workers with less than one year tenure[79] suggest that, despite the cuts on dismissal costs, there was an increasing utilization of temporary contracts for longer term positions; such temporary contracts would continue to entail less costs for firms than permanent contracts. On the other hand, and consistently with the elimination of the reinstatement clause that had applied after 10 years of continuous employment in the same firm, the proportion of workers with more than 10 years employment seems to have slightly risen.[80]

And last, in Peru employment-output elasticities increased in the post reform slowdown *vis-à-vis* the pre reform recession (table 4);[81] dismissal regulations were somewhat relaxed and, moreover, special and temporary contracts actively promoted. During the period of economic expansion employment continued to fall. The jump in temporary employment, from the already outstandingly high level of about 40% of private sector wage earners in Lima to some 50% after

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[77] No data on turn-over rates in Argentina exist after 1988, and the structure of job tenure does not appear to have changed significantly (on the basis of the household survey, Buenos Aires). On the other hand, the proportion of workers that receive not a single one of the benefits to which they are entitled legally did not continue to increase between 1991 and 1994, but while this might have plausibly been linked with the greater availability of short-term, lower-cost contracts, it rather probably was the result of the stricter control of evasion of social security contributions - the principal factor behind the former growth of non registered employment.

[78] Data are for the three main cities, in Berry and Tenjo (1995). They include the self employed.

[79] Data in López (1993), but note that only two years (1988 and 1992) are compared.

[80] According to data for 1988 and 1992 (only partial job tenure distributions are shown) in López (1993).

[81] Employment and output data are not strictly comparable. The former refer to firms with 100 employees and over in Lima, while the latter to output at the national level.

the 1991 reforms,[82] suggests that most of the new recruitment was made under special flexible contracts, and that temporary workers replaced permanent ones. This remarkable increase should not surprise, as dismissal legislation, despite the changes introduced, continued to be restrictive in international terms.

Putting all the evidence together, some tentative conclusions may be drawn. First, in those countries where a wide range of lower-cost, flexible employment contracts were made available to business, or where the use such contracts became less restricted (temporary contracts in Argentina, Ecuador, Colombia, and Peru; maquilas in Ecuador), these new opportunities were utilized, but much more so where, as in Peru, dismissal legislation continued to be, despite the reform, particularly constricting. In Argentina the use of the new temporary modalities was very modest.[83] And although there was some, apparently ephemeral, growth in the share of temporary employment in Colombia, it was in Peru that the use of temporary work visibly increased. In Ecuador, since the law on maquilas was passed in 1990 and up to early 1993, 37 maquila industries were established, creating close to 3,000 jobs, concentrated in two economic activities, textiles and fishing; according to Pita (1993), most maquilas originated in already existing enterprises that were attracted by tax and tariff exemptions and lower labour protection.

Second, changes in legislation seem to have had some influence on business firing policies. This at least seems to be true if we compare employment-output elasticities in pre and post reform recessions (they fell in Brazil and increased in Peru). Besides, in Colombia, the elimination of the reinstatement clause after ten years of employment seems to have been followed by a change in dismissal policies that affected the structure of job tenure.

Finally, recruitment policies might have also been altered. This - with the reservations aforementioned - could have been the case in Chile's (where the employment-output elasticity declined) and Colombia's (where it became higher) phases of economic expansion. In Brazil, the growth of illegal employment and subcontracting after the reform also points to a change in recruitment strategies.

But, irrespective of how well employment adjusted to the short-term changes in output, was the overall manufacturing employment performance affected by labour law reforms? Once again we look at the comparative employment and output behaviour, before (1981-90) and after (1990-93) the labour law reforms, but this time to their average trends (table 5).[84] Both in Chile

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[82] Data from the household survey, Metropolitan Lima (in Verdera, 1995). Figures on temporary workers include workers in the trial period. Further, between 1991 and 1994 the share of temporary employment steadily rose.

[83] In fact, employers considered the temporary modalities introduced by 1991 Employment Law to be still too constrained, as trade unions had been granted some power of approval.

[84] In other words, while earlier, to assess the short-term adjustment of employment we examined each economic phase's average of annual employment-output elasticities, now we look at the elasticity of each (pre and post reform) period's average annual rate of change in output and employment.

and Venezuela employment fared better after the tightening of protection, but it did also in Colombia, where protection, instead, was relaxed. Employment in the remaining countries fell after the reforms, generally continuing an earlier tendency, and in Argentina and Peru this occurred in spite of the growth of manufacturing output. The path followed by economic transformation, and its impact on investment and productivity growth were, of course, more powerful determinants than changes in labour market regulation. In Argentina and Peru, for instance, the negative employment performance was primarily associated with the effects of economic reforms (trade liberalization combined with domestic currency appreciation) and the subsequent restructuring (Marshall, 1994b; Verdera, 1995);[85] in Colombia, by contrast, manufacturing employment increased after the reform (although more slowly than output), while in the 1980s it had declined at a time of output growth; apparently, after 1990 employment in non-traditional export manufactures climbed, compensating for job losses elsewhere.[86]

Employment trends in manufacturing say only little about unemployment behaviour (table 6). The unemployment rate is influenced, obviously, by employment changes in all economic activities and in the supply of labour, that were not analyzed in this paper. In Colombia, for instance, unemployment declined with the contribution of manufacturing and construction (López, 1993), while in Argentina it rose sharply as a result of falling labour demand in manufacturing, construction and public utilities, among other activities, at a time when the labour force was expanding (Marshall, 1994b). A perfunctory inspection of unemployment trends, in any case, suggests that nor was the flexibilization of employment protection followed by reduced joblessness neither did enhanced protection induce the growth of unemployment.

CONCLUSIONS

After 1990 employment protection regimes within South America tended toward greater convergence, as in the countries with more stringent protection this was relaxed (such was the case of Peru) while in those where protection had been weaker it was strengthened (Brazil and Chile). Further, more countries introduced capitalization funds and, albeit limited, unemployment insurance schemes. Labour law reforms were generally consistent with the broader change in economic growth strategies that swept throughout the region.

The new opportunities provided by the "flexibilization" of employment contracts and introduction of maquila industries seem to have been used by business to replace permanent personnel, but not to the same extent in all the countries analyzed. Lay-off strategies seem also to have responded to the slackening of dismissal rules. Similarly, there is some indication that improvements in the protection against dismissal affected firing and recruitment policies, and a hint at an inverse relationship between availability of legal "loopholes", exempted from wage

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[85] In the case of Argentina, certain manufacturing activities improved their productivity performance, while other industries, unable to compete and reconvert, just closed down.

[86] See López (1993).

employment protection, and use of subcontracting and illegal employment practices. Finally, as it could be expected, there was no discernible impact of the labour law reforms on the average performance of employment, given output trends.

Were the reforms to employment protection legislation that relaxed the constraints on dismissal and facilitated flexible contracts effective instruments for the regulation of the labour market? If, on the basis of stretching the tenuous evidence cited, we focus in their immediate impact the answer would seem to be positive: dismissals in recessions intensified and there was a substitution of temporary for open ended contracts. However, the answer is clearly negative if we examine the reform effects on employment creation - the proclaimed purpose of "flexibilization": as in other regional context also in South America (with the exception of Colombia, a case of hybrid reforms) the curtailment of employment protection was not followed by a better employment performance and, if anything, the ensuing expansion of dismissal and temporary jobs worked exactly in the opposite direction.

But the discussion of the labour market effects of reforms to labour legislation was confined in this paper to the manufacturing sector. Insufficient information on employment trends for activities other than manufacturing makes it difficult if not impossible to analyze the impact of labour law reforms on business practices beyond this sector. This, as well as the study of workers' behaviour in response to institutional changes - such as the spread of capitalization funds, creation of unemployment insurance schemes, and new rules governing dismissal and contracts - and of how this molds the supply of labour, over a longer time period, remains open to in-depth research.

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TABLE 1. Reforms to the labour code: dismissals
Selected South American countries

	Reinstatement	Advance notice[a]	compensation	force majeure and collective dismissal
Argentina 1976	no	1 month if less than 5 years employment, 2 if over 5 years (from 1st day of next month following dismissal communication)	1. after 3 months, 1 month wage/year; top to monthly wage: 3 minimum wages 2. minimum compensation: 2 months	50% of normal compensation (force majeure and work shortage; bankruptcy)
1989-91	ibid.	ibid.	1. ibid., but top now 3 total monthly earnings acc. to collective agreement, exclusive of seniority 2. ibid.	ibid.; [a "preventive" tripartite procedure may delay somewhat but will not hinder dismis. if no employer-union agreem.]
Brazil 1966[b]	yes, after 10 years, optional as from 1966 and seldom used	1 month for workers paid per fortnight or month OR after 1 year employment, 8 days otherwise[c]	1. after 1 year, 1 month wage/year lay-off comp. OR termination fund; worker option but *de facto* fund ruled 2. plus employers' penalty equal to 10% of accumulated individual worker fund	After 10 years, usual unfair dismissal compensation; up to 10 years, 50% of usual compensation (force majeure)
1988-	no	one month minimum[c]	1. only termination fund 2. employers' penalty raised to 40%	20% of accumulated individual worker fund; [collective dismissal to be discussed with union]
Chile 1979 1985-87	no	one month in unfair dismissal	1. after 1 year, 1 month wage/year, maximum 5 months	--
1990	ibid.	one month in dismissals due to enterprise needs or worker inadequacy	1. after 1 year, 1 month wage/year, maximum 330 days 2. after 7 years, agreed substitutive lump sum	one month advance notice
Colombia 1950 1965-66	yes, after 10 years (reinstatement or compensation to be decided by court)	(in certain cases only)	1. 45 days wage plus from 15 to 30 days wage acc. to length of service 2. plus payment from termination fund (dismissals any cause but workers in trial period excluded) 3. in small firms, 50% and 75% of compensation	1. verified by authorities (force majeure, collective dismissal)

1990	eliminated	ibid.	1. ibid., but length of service additional now is from 15 to 40 days wage 2. reform to termination fund 3. elimination of reduced compensation for small firms	1. collect. dism./suspens. up to 120 days must be authorized by Ministry; causes incl. modernization 2. definition of collective dismissal[d] 4. compensation as in unfair dismissal 5. small firms,[e] 50% of usual compensation
Ecuador 1978	one year stability (eviction not permitted in the first year), but a 90-day trial period and exceptions	one month in unfair dismissals	1. 25% of monthly wage/year (*deshaucio*) 2. compensation for "sudden" (without warning) dismissal (from 2 to 12 months) 3. all workers have right to "reserve fund" (1 month /year), after 1 year empl.	closings: advance notice
1991	one year contract minimum; exceptions open to legal stipulation	eliminated	1. ibid. 2. compensation for sudden dismissal now from 3 months (up to 3 years empl.) to 1 month/year up to 25 months (more than 3 years empl.) 3. ibid.	closings: compensation as in *deshaucio* plus as in sudden dismissal
Peru 1986	yes, after 3 months and 4 hours daily or equivalent	no	1. after 3 months and working at least 4 hours daily or equivalent, if worker does not opt for reinstatement, acc. to length of service	1. approved by authorities 2. economic and technical grounds, 1 month advance notice
1991-	ibid., but the court may rule in favour of compensation instead of reinstatement	ibid.	1. ibid., minimum 3 months, maximum 12 2. all workers entitled to capitalization fund (4 hours daily work minimum)	1. ibid.[f] if no agreement with trade union 2. 1 month notice, except for force majeure 3. all workers entitled to capitalization fund
Venezuela 1983	1. no	from 1 week to 1 month according to length of service (from 1 month to 1 year or more)	1. after 8 months, 50% monthly wage/year 2. plus, after 3 months, 5 days wage if employment up to 6 months, 10 days if over 6 months but up to 1 year, 15 days if over 1 year, out of capitalization fund (dismissals any cause)	--

1990[g]	1. yes, after 3 months, OR double compensation plus wages during court procedures and double notice compensation[h] 2. firms with less than 10 workers exempted from reinstat. but not from double compensat.	from 1 week to 3 months acc. to length of service (from 1 month to 10 years or more)	2. after 3 months, 10 days wage if empl. up to than 6 months, 1 month wage/year for the rest, to be paid out of capitalization fund (dismissal any cause)	made equivalent to unfair dismissal

NOTES TO TABLE 1

[a] Generally, advance notice is replaceable by compensation.
[b] All successive modifications introduced to the labour code of 1943 appear in a 1985 law.
[c] After one year of employment in the same firm, dismissal communication is valid only if the dismissal is "assisted" by trade unions or the Labour Ministry.
[d] Collective dismissal is characterized in terms of a minimum proportion of workers to be laid-off, that varies according to firm size from 30% to 5%, within a six month period.
[e] With capital lower than 1,000 monthly minimum wages.
[f] Collective dismissals due to objective causes include force majeure, economic/technological and similar reasons, closings, bankruptcy, and from 1991, enterprise operational needs (5% of personnel); in the latter case, workers are entitled to lay-off compensation, and there are other specific requisites; written communication to the labour ministry suffices for approval, but global employment level should be maintained: vacancies left by dismissed employees should be filled within 60 days.

[g] Dismissal due to economic and technological causes made equivalent to unfair dismissal.
[h] If double compensation is paid at the time of dismissal, the court procedure may be omitted. If employment exceeds 5 years, usual notice compensation.

Source: ILO, *Legislative Series* and *Labour Law Documents*, and national legislation.

TABLE 2. Legal reforms to fixed term and other temporary employment contracts[a]
Selected South American countries

	length	renewals	reason/situation/task	other requisites
Argentina[b] 1976	1. 5 year maximum	1. renewable if not of "excessive" length	1. voluntary agreement and situations that "reasonably" demand temporary work	1. automatic conversion into indefinite contract if no notice of terminat. 2. written 3. 50% of usual dismissal comp. at end of contract
1991	1. ibid., 2. but "promoted" modalities were created[c]	1. ibid. 2. but in promoted modalities specific rules[c]	1. ibid. 2. but each promoted modalities is specific[c]	1. ibid. 2. ibid. 3. ibid. 4. in promoted modalities specific requirements[c]
Brazil 1985[d]	2 year maximum	1 renewal at most	temporary tasks or required by their nature	--
1988	ibid.	ibid.	ibid.	--
Chile 1978, 1987	2 year maximum	1 renewal at most	--	written[e]
1990	1 year maximum[f]	ibid.	--	ibid.
Colombia 1965-6	1. 1 year minimum 2. 3 year maximum 3. casual contracts[e] without minimum	no limits on renewals	--	1. written 2. automatic renewal for 1 year if no notice of termination
1990	1. eliminated 2. ibid.	ibid., but if contract less 1 year, 3 renewals or change into minimum 1 year contract	--	1. ibid. 2. automatic renewal for period equal to agreed earlier
Ecuador 1978	1. 1 year minimum (excepted casual, extraordinary, and non usual fixed work contracts)	--	--	1. workers may choose between forms of lay-off compens. if terminated before expiry of contract 2. written if contract 1 year or over

1991	1. ibid., but with open exceptions; maximum 2 years 2. casual: maximum 6 months/year 3. occasional: maximum 30 days/year	not renewable (fixed term)	definition of casual, occasional contracts: require objective circumstances (ordinary or extraordinary)	1. ibid. 2. ibid.; casual and occasional (& others), written and registered 3. fixed term: 30 days notice
Peru 1970s-1980s	--	(diverse court decisions in 1975-80 did not permit renewals)[f]	temporary tasks, subst. personnel, fixed works, normal tasks in special programs	1. written 2. approved by authority
1991-	1. 6 months to 3 years, acc. to modality (intermittent for discontinuous work; substitution of personnel; and fixed works)	renewable but only within the maximum limitation to length	several modalities introduced (new activity, reconversion, occasional, emergency, market needs, etc.); to be used in temporary/accident. sits.	1. ibid., but temporary causes specified 2. automatic approval, but susceptible to later verification by Ministry
Venezuela 1983	1. maximum 1 year, manual workers; 5 years, employees 2. duration of specif. works	1 renewal maximum[g]	--	--
1990	1. maximum 1 year, unskilled manual workers; 3 years, skilled manual/white collar 2. ibid.	ibid.	1. demanded by nature of task or temporary subst. of personnel	protected by the stability clause before expiration of contract

NOTES TO TABLE 2

[a] Exclusive of "trial period" contracts and contracts through intermediating temporary labour agencies.
[b] Casual contracts, to be used in exceptional situations, are regulated separately, and became more exhaustively regulated in 1991, when, among other limitations, a maximum length (6 months each year, 1 year in 3 years) was introduced for the casual contracts "to satisfy market requirements".
[c] Requirements vary according to each modality: e.g. minimum length 6-maximum 18 months, including renewals (employment promotion); minimum-6 maximum 24 months (new activities); both with 50% compensation at the end of contract and exempted from 50% of social security contributions; 1 year minimum (for the young) and 4 months minimum-2 years maximum (training), both exempted from social security contributions. All written, no more than 30% of personnel, but 100% in firms with less than 5 workers and 50% in firms with 6-25 employees; there are several other requirements.
[d] In this law all the changes introduced since 1943 are included.
[e] All contracts are to be written.
[f] Plus special limitations on intermittent contracts for discontinuous work.
[e] To substitute personnel, satisfy increases in production, occasional work.
[f] Samamé Pacheco (1991).
[g] Stated in 1973 (not in 1983)

Source: ILO, *Legislative Series* and *Labour Law Documents*, and national legislation.

TABLE 3. Unemployment insurance schemes
Selected South American countries

	wage replacement rate	benefit duration	effective coverage	financing	requisites for access
Argentina 1991	50% of last 6 months usual wage[a] [min. 2/3 of minimum wage, max. one and a half of minimum wage]	four months and proportional to contrib. period[a]	10% of unemployed	employers & workers plus other sources	unfair, force majeure, collective dismissal; end tempor. work; insured at social security by employers;[b] 12 months contr.in 3 last years
Brazil 1986	50% of latest wages, but min. 1 minimum wage and ceiling[c]	4 months	n.d.	out of a payroll tax	6 months employment and unfair dismissal
Chile 1981	1/4 of gross minimum wage first 6 months; next 3 months 1/3 of that benefit, and last 3 months, 1/8 of initial benefit[d]	12 months	12% of unemployed	national government [pre 1987, payroll tax 2%]	laid-off; private sector; insured at social security; at least 12 social security contribs. in latest 24 months[e] [eligible: less than 50% of unemployed]
Venezuela 1989-90	50% of social security weekly wage reference[f]	13 weeks, extensive to 26, decided by Executive	n.d.	employers & workers (adminis. costs: governm.)	all workers insured at social security; indefinite contracts; employm. terminat. any cause;[g] 52 weeks social security contribs. latest 24 months
Uruguay 1981	50% of wage latest 6 months;[h] actual average benefit = 0.44 of average wage (1991)	6 months	approx. 15% of unemployed	national government	dismissed/suspended; 6 months contributs. in last year; 1 year out of UI; private sect. (banks/ domestic service excluded) [eligible: about 40% of labour force]

NOTES TO TABLE 3

[a] If contributions at least 12 months in the last 3 years; if at least 24 months contributions, additional 4 months but with 85% of initial UI benefit; if 36 months, another 4 months but with 70% of initial UI benefit.
[b] Specific conditions apply to agency labour; rural, household and public administration workers not entitled to compensation; construction workers qualify for a different scheme.
[c] Maximum 5 minimum wages (but 2.5 minimum wages according to Cortázar, 1995); low income workers, about 80% of wage.
[d] But see Allen and Labadie (1994) and Cortázar (1995), describing slightly different rules.
[e] But Allen and Labadie (1994) include public sector employees, and all job losers for non disciplinary reasons).
[f] Plus medical aid up to 26 weeks for employee and dependants in areas covered by the social security institutes; if possible, training and orientation.
[g] Domestic, homeworkers, and retired with pensions are excluded from entitlement.
[h] An additional 20% for workers with dependents.

Source: ILO, *Labour Law Documents*; Allen and Labadie (1994); Cacciamali (1992); Cassoni et al. (1994); Cortázar (1995); Romaguera et al. (1995).

TABLE 4. Employment-output elasticities,* pre and post labour law reforms
Selected South American countries

	Recessions	Expansions
Argentina pre reform	1.13(1982) 0.35(1985) 1.01(1987-90)	0.52(1983-84) -0.32(1986)
post reform	--	-0.31(1992-93)
Brazil(metro) pre reform	10.60(1982-83) 0.47(1988)	0.82(1984-87)
post reform	6.12(1990-92)	0.72(1989) -0.17(1993)
Chile pre reform	1.31(1982)	2.40(1983-90)
post reform	--	1.13(1991-93)
Colombia pre reform	7.44(1982-83)	0.02(1984-90)
post reform	--	0.88(1991-93)
Peru pre reform	0.85(1982-83) 0.45(1988-90)	-0.28(1984-87) -0.96(1991)
post reform	1.49(1992)	-0.85(1993)
Venezuela pre reform	0.26(1983) 0.22(1989)	0.23(1982) 1.65(1984-88) -1.44(1990)
post reform	1.83(1993)	1.5(1991-92)

* Elasticities are calculated as averages, for each economic phase, of annual elasticities

Source: own estimates on the basis of annual data in CEPAL (several years).

TABLE 5. Employment performance before and after the labour law reforms: Medium term employment output elasticities* and employment trends** Selected South American countries

	1982-90 (pre reform)		1991-93 (post reform)	
	EOE	employm. % change	EOE	employm. % change
Argentina	3.14	-2.2	-0.25[b]	-1.5[b]
Brazil	-0.11[a]	-0.3[a]	8.21[a]	-3.1[a]
Chile	0.76	2.6	0.84	5.7
Colombia	-0.29	-1.1	0.56	1.4
Peru	1.47	-2.2	-7.08[b]	-9.2[b]
Venezuela	0.76	1.6	1.22	4.5

* Employment output elasticity (EOE) of annual average percentage changes in the period

** Annual average rate of change in the period

[a] 1982-88 and 1989-93, respectively. If data for Sao Paulo (because the employment figures for 1985 differ strongly) are used for 1981-87, the EOE is 0.54, and if 1993 is excluded, EOE for 1989-92 is 1.16

[b] 1992-93

Source: own estimates on the basis of CEPAL, several years.

TABLE 6. Unemployment trends
Selected South American countries

	% urban unemployment			
	1986	1990	1992	1994[a]
Argentina	5.6	7.5	7.0	11.2
Brazil	3.6	4.3	5.8	5.5
Chile	13.1	6.5	4.9	6.2
Colombia	13.5	10.5	10.2	9.3
Ecuador	10.7	6.1	8.9	8.1
Peru	5.4	8.3	9.4	9.5
Venezuela	12.1	11.0	8.0	8.9

[a] Preliminary figures

Source: CEPAL, Balance Preliminar de la Economía de América Latina y el Caribe, 1994, No. 556/557, December 1994 (see table A.4 for details on areas covered by the unemployment surveys in each country and other caveats).

TABLE A. Unfair and collective dismissal legislation in Canada

	Reinstatement	Advance notice	Compensation	Collective/force majeure
Federal	no	after 3 months employment, two weeks[a]	2 days wage/year, after 1 year employment (minimum: 5-days wages)	firms with 50 or more employees: 1. 16 weeks notice, 2. should establish committee[b] to eliminate or minimize lay-offs 3. compensation as in unfair dismissal[a]
Provincial	no[c]	after 1 to 6 months employment (acc. to jurisdiction) from 1 to 8 weeks,[d] variable according to jurisdiction and length of service	1 day wage/year in Ontario, after 5 years employment	requirements vary according to jurisdiction: 1. longer advance notice than in unfair dismissal (see text) 2. other requirements (see source) 3. severance pay in Ontario, after 5 years employment (higher than in unfair dismissal)

[a] Details are in Employment Standards Legislation in Canada 1993-94; see ibid. for the several situations not to be considered as collective lay-offs.
[b] Composed of employee and employer representatives.
[c] But special provisos in case of "illegal dismissals" (see ibid.)
[d] Manitoba: one pay period.

Source: Labour Canada, Employment Standards Legislation in Canada, 1993-94, Ottawa.

TABLE B1. Distribution of workers according to job tenure (percents)
Selected countries

job tenure	Canada[a] 1995	Argentina (Buenos Aires) 1993[b]	Brazil (Sao Paulo) 1991[c]	Peru (Lima) 1989[c]	Colombia (4 main metro areas)[c] 1990
up to 3 months	12.0	11.7	16.6	10.0[d]	15.4
up to 1 year	24.5	31.2	39.8	27.1[d]	32.2[d]
11 years or more	28.0	20.3	10.5	22.8[d]	14.1[d]

[a] Includes the self employed
[b] Excludes domestic service
[c] Private sector
[d] Less than 3 months, less than 1 year, and 10 years or more, respectively

TABLE B2. Distribution of workers according to job tenure in manufacturing (percents)

job tenure	Canada[a] 1995	Argentina (Buenos Aires) 1993	Brazil (Sao Paulo) 1990	Colombia (4 main metro areas) 1990
up to 3 months	9.6	10.9	12.4	13.6[b]
up to 1 year	21.1	29.2	34.0	33.5[b]
11 years or more	33.7	21.2	13.7	18.0[b]

[a] Includes the self employed
[b] Less than 3 months, less than 1 year, and 10 years or more, respectively

Source: Labour Force Survey, Statistics Canada, Ottawa, July 1995; Encuesta Permanente de Hogares, Instituto Nacional de Estadística y Censos (Argentina), SEADE (Brazil); López Castaño (1991); Verdera (1992).

TABLE C. Turn over rates: separations and hirings

rate of:	Canada	Argentina	Brazil, Sao Paulo	Brazil
Separations	2.0 (1986) 4.8 (1988)	1.3 (mfg 1987)	4.1 (1988) 3.7 (mfg 1986)	3.8 (1988) 3.8 (mfg 1998)
Hirings	2.3 (1986) 3.7 (1988)	--	3.7 (1990) 3.0 (mfg 1990)	3.3 (1990) 3.2 (mfg 1990)

Source: Lamaitre et al. (1992); Ministerio de Trabajo y Seguridad Social, Boletín de Estadísticas Laborales, 6, Buenos Aires, 1988; Ministerio de Trabalho-DL 4923/65.