

Earthquake in Peru—Severe impact on employment

Large Enterprises recovering, but self-employed and small and medium enterprise still struggling

Lima 8 January 2008 – A report jointly produced by the ILO, UNDP and the Ministry of Labour, and to be soon released, indicates considerable job loss as a result of the earthquake in August 2007. The report estimates job loss in the provinces of Ica, Chincha, and Pisco to be 14.8 thousand workers two months after the earthquake, a 7.6 % decrease from the week before the earthquake. Even at the three-month mark (November 15), job loss was estimated to be 12.5 thousand, a 6.4% decrease compared to the week before the earthquake hit. These numbers highlight the need to put employment-intensive job strategies in the forefront of reconstruction response.

The survey, which was executed by the ILO with the support of the Ministry of Labour and the UNDP, was initiated two months after the earthquake from October 14 until November 3. A total of 1,099 households, 358 businesses with 10 or more employees, and 61 qualified informants from the urban areas of Ica, Pisco, and Chincha participated in the survey.

The objective of the survey was to estimate the magnitude of employment loss, the increase of unemployment, the projected availability of labour, and the labour needs for reconstruction. This information will be useful to diagnose the situation and better prepare for the reconstruction process.

The most affected cities were Chincha and Pisco, which experienced the greatest fall in employment (11.7% and 18.5% respectively), while employment in the city of Ica remained practically constant. In Chincha and Pisco, the service, commerce and industry sectors experienced the largest decrease in employment. The fishery sector of Pisco was also severely affected. Reconstruction projects implemented in the emergency region should focus more on creating short-term employment for these two cities.

Likewise, these programmes should take into account the gender factor: The unemployment rate for both men and women increased following the earthquakes, however women were the hardest hit. The unemployment rate for men increased from 11.9% to 17.6% two months following the earthquake, and was expected to fall to 16.2% in the third month. Unemployment rate for women, on the other hand, drastically increased from 13.3% to 21.4% in two months, and was expected to continue to rise to 26.1% in the third month. Given the higher rate of unemployment amongst women, programmes should take into account the availability of female labour.

While the productive capacity of large enterprises was quickly restored, the earthquake has had long-lasting consequences on the self-employed and micro and small entrepreneurs. The informal economy, which was estimated to make up 50% of the GDP of the Ica Region prior to the earthquake, has sustained significant losses and will subsequently take longer to recover. A total of 102.6 thousand residences (83.7% of total residences) suffered damages by the earthquake, and 78.5 thousand (65%) of them were completely destroyed. Housing has an impact on the informal economy, as 19% of the surveyed households realized a home-based business. The number one activity was retail and workshops, representing 56% and 14% of the total home-based businesses, respectively. Accordingly, business activity in homes fell by 86% following the earthquake.

The priority for all three areas remains the reconstruction of residences. In addition, debris cleanup and improved urban infrastructure. Accordingly, given the need for qualified labour, it is essential to offer more training courses in the area of construction, especially targeted to youth and women. The count of completely destroyed housing will help in estimating labour and supplies needed. The first task at hand, however, is the creation and launching of a master plan for an integrated urban reconstruction. One of the most important aspects of

the plan will be the possible use of debris for expanding and improving highways and watersheds.