



Technical note

► **Labour Overview Series  
Latin America and  
the Caribbean 2021**

# The employment crisis in the pandemic: Towards a human-centred job recovery

Roxana Maurizio

April, 2021

## Summary

A year after the onset of the COVID-19 pandemic, the crisis in the labour market underscored the significant decent work deficits that Latin America and the Caribbean had already been experiencing. The crisis has caused a major, unprecedented exodus from the labour force, lessening the expected impact on the unemployment rate. The outlook is even more concerning given that the negative effects have been unequal, and that the path to recovery is accompanied by a widening of employment and income gaps, where informal jobs are driving the recovery of employment.

In this context, policies to recover production must coincide with those that stimulate employment demand, which are decisive for moving toward a human-centred recovery. The new waves of contagion observed in the first quarter of 2021 and the new measures to contain them complicate the labour and social outlook in the region given that the economic recovery could take longer than expected.

\* With the collaboration and input of Fabio Bertranou (series coordinator), Bolivar Pino and the SIALC team, Gerhard Reinecke, Jacobo Velasco, Juan Chacaltana and Marcela Cabezas.

## 1. Introduction

The COVID-19 pandemic has triggered an economic recession of unprecedented magnitude and scope in Latin America. The most recent projections of the International Monetary Fund (IMF) corresponding to April 2021 estimate a contraction of regional GDP of -7 per cent for 2020. The Economic Commission for Latin America and the Caribbean (ECLAC) expects a reduction in regional GDP, on the order of -7.7 per cent, while the World Bank estimates a decline of -6.9 per cent. According to ECLAC (2021a), this economic contraction is the most severe since records began in 1900. These figures are compared with decreases in world GDP of -3.3 per cent (IMF) and -4.4 per cent (ECLAC).

The global report *ILO Monitor: COVID-19 and the world of work* (ILO, 2020a) states that the region is the most heavily impacted worldwide in terms of loss of earnings and hours worked. Working-hour losses in the region in 2020 were approximately four times greater than during the 2009 global financial crisis.

The emergence of COVID-19 in the region occurred in a context marked by an economic slowdown and a slowing or reversal of the improvements in employment achieved in previous years. At the same time, structural characteristics present before the pandemic persisted. These were associated with high labour informality, productivity lags, low labour income, significant wage gaps and weaknesses in healthcare and social protection systems in terms of coverage and adequacy of benefits. It is not surprising, then, that the macroeconomic collapse has had a disproportionate impact on some segments of the population, widening the labour and social gaps that characterize the region.

The prospects for economic recovery in 2021 are modest and still very uncertain, so expectations about a possible reversal of the critical labour market situation remain cautious. This has become even more critical amid new waves of contagion and the difficulties in rolling out mass vaccination campaigns during the first quarter of 2021. The new confinement measures, the closure of borders and restrictions of some economic activities may do more than simply slow the path to recovery -- they can potentially amplify the region's labour and social gaps.

Although the macroeconomic situation in early 2021 has improved in terms of commodity prices and global trade, which can accelerate the recovery process, uncertainties persist regarding their sustainability and whether they could again lead to a regional production focused on basic commodities based on natural resources, which would slow the transition toward a more knowledge- and technology-based productive structure that is more integrated into global value chains with greater added value and demand for skilled labour.

A year after the onset of the COVID-19 pandemic, this report updates and highlights the main impacts of the health crisis on labour markets and income generation in Latin America and the Caribbean. It also discusses the new labour difficulties compounding structural factors in the region and identifies the challenges of labour and employment policies to promote a human-centred recovery.



A year after the onset of the COVID-19 pandemic, this report updates and highlights the main impacts of the health crisis on labour markets and income generation in Latin America and the Caribbean. It also discusses the new labour difficulties compounding structural factors in the region and identifies the challenges of labour and employment policies to promote a human-centred recovery.

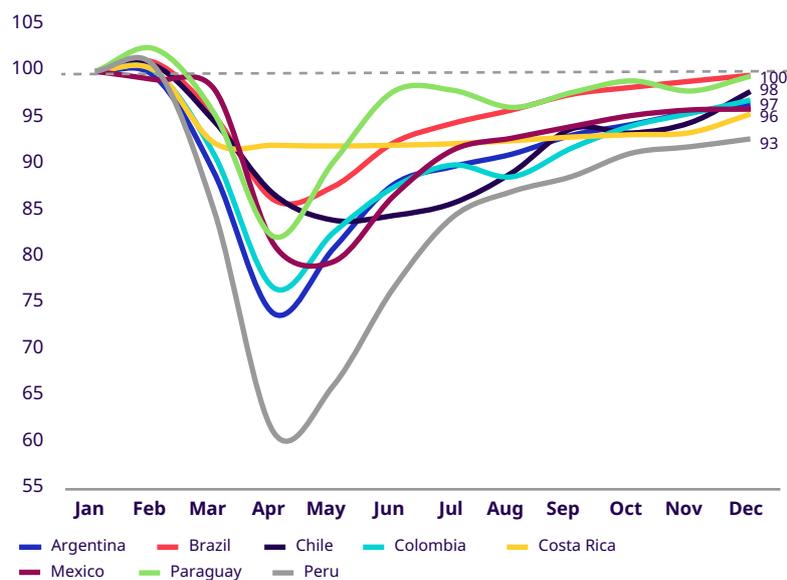
## 2. Stylized facts of an uncertain process: prolongation of the crisis and pace of recovery<sup>1</sup>

### 2.1 An economic and employment crisis of unparalleled features and intensity

In addition to its depth and scope, a salient feature of this crisis -- even for a region characterized by recurring macroeconomic shocks -- is the speed of the impact resulting from an immediate supply shock, associated with the closing of economies, confinement and social distancing measures, followed by a sharp decline in aggregate demand. Given the manner and speed in which the virus has spread in Latin America and the Caribbean, the most significant effects on activity and employment levels occurred in the second quarter of 2020, especially during the months of April and May, although in several countries, the volume of employment continued to fall for a few more months. In those months, production levels decreased by 30 per cent or even 40 per cent in some countries (Figure 1).

► **Figure 1.** Change in the level of economic activity and employment. Selected countries of Latin America. January-December 2020. Index, January 2020 = 100<sup>2</sup>

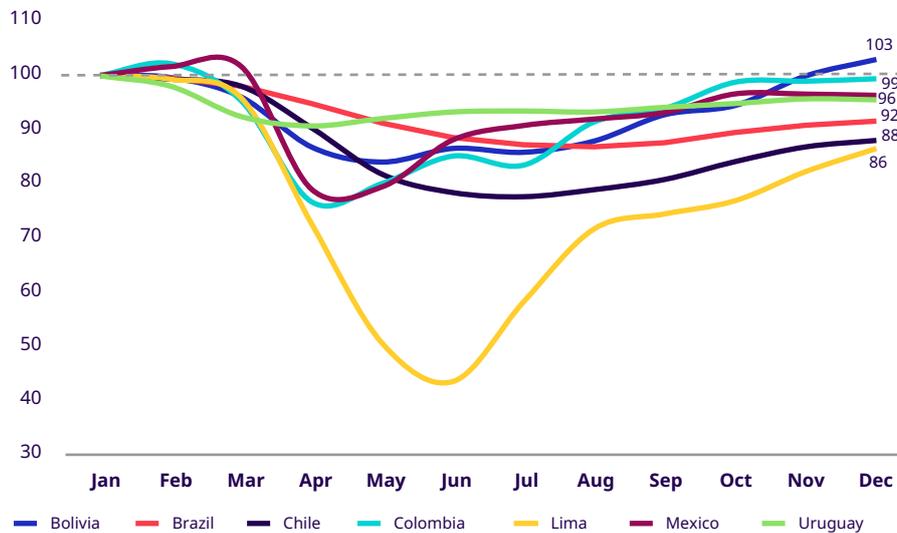
#### Change in the level of economic activity



Source: ILO, based on official data.

1 Previous studies have examined the impacts of the economic crisis on the labour market in Latin America and the Caribbean. See ILO (2020a, 2020b, 2020c, 2020d).  
 2 Figures vary for the countries included given that they depend on the availability of monthly information on activity and employment levels in the period considered.

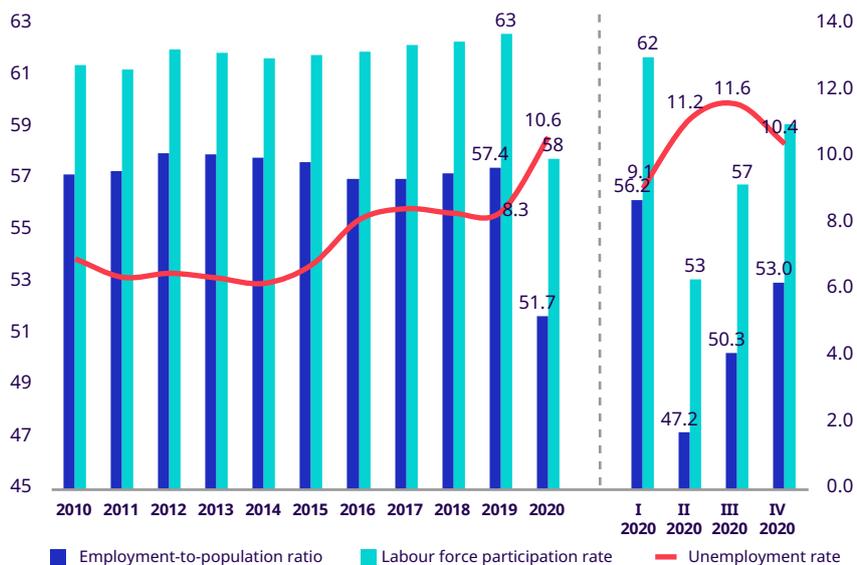
Change in employment



Source: ILO, based on household and employment surveys.

The average employment-to-population ratio in Latin America and the Caribbean<sup>3</sup> (18 countries) for 2020 was 51.7 per cent, representing a reduction of around -6 percentage points (pp) compared to 2019. **This constitutes a historic minimum value and resulted in a decline of -10 per cent in the total employment-to-population ratio. More than 26 million people lost their jobs during 2020.**<sup>4</sup> The decline is even more dramatic when comparing the first two quarters of 2020, at approximately -9 pp (-16 per cent) for this group of countries (Figure 2).<sup>5</sup>

► Figure 2. Change in the employment-to-population ratio, unemployment rate and labour force participation rate. Latin America and the Caribbean (18 countries), 2010-2020



Source: ILO, based on SIALC / ILO.

3 In 2019, these countries together represented some 89 per cent of the labour force in Latin America and the Caribbean.  
 4 The estimation of absolute values presented in this section was based on demographic projections made by the Latin American and Caribbean Demographic Centre (CELADE).  
 5 Although seasonality may affect comparisons between these two quarters, these quarters are used to observe the short-term impacts of the economic crisis in greater detail.

The sharp contraction in the volume of employment contributed to rising unemployment; however, there was a significant exodus from the labour force.<sup>6</sup> Between the first and second quarters of 2020, the labour force participation rate declined by -9 pp.

These exits from the labour force significantly curbed the impact of job losses on the unemployment rate. Consequently, **compared with previous crises, the unemployment rate only partially reflects the magnitude of the difficulties that the region's labour markets have been experiencing.**

As restrictions on people's mobility started to relax in 2020, beginning mostly in April or May, depending on the country, the downward trend in aggregate production began to reverse. Overall, the employment rate began to grow after GDP did (Figure 1). The average employment-to-population ratio increased 3 pp (around 7 per cent) in the third quarter and 2.7 pp (5 per cent) in the fourth quarter, only partially offsetting the -9 pp (-16 per cent) decline recorded during the first two quarters of the year.

Furthermore, **in several countries of the region, while the level of economic activity had returned to pre-pandemic levels by late 2020, employment still fell far short of those levels** (Table 1).

The easing of mobility restrictions led some people outside the labour force to directly return to work and led others who had lost their jobs early in the pandemic to begin actively seeking employment. This latter group meant that between the second and third quarters of 2020, the regional unemployment rate did not decrease (11.2 per cent and 11.6 per cent, respectively) and even increased in some countries (Table 1).

During the fourth quarter, the regional unemployment rate and that of the countries included in Table 1 (except for Uruguay) experienced decreases in relation to the previous quarter. Nevertheless, in most cases (except Nicaragua and Paraguay), this rate still exceeded that of early 2020. The average unemployment rate for the region increased by just over 2 pp between 2019 and 2020, from 8.3 per cent to 10.6 per cent.

This explains why the unemployment rate will continue to be a critical indicator, at least in the medium term. It may even increase to the extent that the labour force participation rate in most of these countries has not yet fully recovered from the strong contraction experienced during the first half of 2020. **The labour force contracted by more than 20 million people in 2020, on average, equivalent to an 80 per cent decrease in the employment rate.**

Additionally, modest expectations regarding the pace of GDP growth in 2021 and over the next few years indicate that the net creation of new jobs will also be modest. At this juncture, the "additional worker" effect could appear, adding a new influx of people to the labour force given the need for income generation. This may increase the number of unemployed persons.



The easing of mobility restrictions led some people outside the labour force to directly return to work and led others who had lost their jobs early in the pandemic to begin actively seeking employment.

<sup>6</sup> Given the different ways that national statistical offices of the region process employed persons who are furloughed from their work, the series presented here are not always strictly comparable across countries. Nevertheless, they provide an approximation of the trajectories of these variables during the period under review.

► **Table 1.** Labour force participation rates, employment-to-population ratios and unemployment rates. Selected Latin American countries, I-IV quarters of 2020

	Labour force participation rate				Employment-to-population ratio				Unemployment rate			
	I Q	II Q	III Q	IV Q	I Q	II Q	III Q	IV Q	I Q	II Q	III Q	IV Q
<b>Argentina</b>	58.6	49.2	54.4	57.3	52.5	42.8	48.1	51.0	10.4	13.1	11.7	11
<b>Bolivia</b>	69.0	60.9	64.2	69.1	65.0	55.8	57.3	63.3	5.8	8.4	10.8	8.4
<b>Brazil</b>	61.0	55.3	55.1	56.8	53.5	47.9	47.1	48.9	12.2	13.3	14.6	13.9
<b>Chile</b>	62.5	51.9	53.4	56.6	57.3	45.6	46.8	50.8	8.2	12.2	12.3	10.3
<b>Colombia</b>	61.6	54.8	58.6	61.8	53.8	43.7	48.4	53.3	12.6	20.3	17.5	13.8
<b>Costa Rica</b>	63.4	57.6	59.1	60.8	55.5	43.7	46.1	48.7	12.5	24.0	22.0	20.0
<b>Mexico</b>	59.9	49.4	55.5	57.5	57.8	47.0	52.6	54.9	3.4	4.8	5.1	4.6
<b>Nicaragua</b>	71.0	66.5	68.3	70.5	67.6	62.9	65.0	67.5	4.8	5.4	4.8	4.8
<b>Paraguay</b>	71.2	66.7	70.7	72.4	65.6	61.6	64.9	67.1	7.9	7.6	8.2	7.2
<b>Peru</b>	70.2	45.3	63.3	70.5	66.6	41.3	57.2	65.6	5.1	8.8	9.6	7
<b>Uruguay</b>	61.6	58.8	60.3	61.5	55.6	52.9	53.8	54.8	9.7	10.0	10.8	10.9

Source: ILO, based on SIALC / ILO.

## 2.2 The region with the sharpest decline in working hours in the world

Although the magnitude of the reduction in the number of employed persons was significant, that figure does not fully reflect the amount of work performed during the period given that the hours worked of those who continued to be employed also decreased. In part, employment support measures implemented by the countries of the region attenuated job losses and allowed employment relationships to be maintained with reduced or even no work hours.

**According to the ILO Monitor: COVID-19 and the world of work (ILO, 2020a), Latin America and the Caribbean was the region recording the largest loss of working hours worldwide, at 16.2 per cent during 2020 compared to 2019. This figure is almost double the estimated global level, 8.8 per cent.**

The greatest impact in the region was systematically verified during the second (-32.8 per cent), third (-17.5 per cent) and fourth quarters (-10.3 per cent) of 2020 (ILO, 2020a). The gap between these declines and those observed worldwide widened throughout this period, reflecting a lag in the recovery of the region's labour market compared to the rest of the world.

## 2.3 The widening of gender gaps

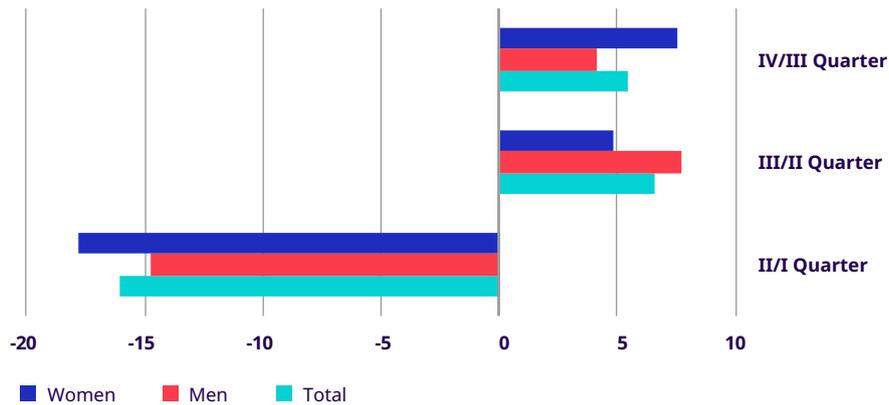
The sharp reduction in the employment-to-population ratio did not affect men and women equally. On the contrary, between the first and second quarters of 2020, the percentage of women's job losses (-18 per cent) in the region exceeded that of men (-15 per cent) (Figure 3).

The more significant impact among women is associated, on the one hand, with the concentration of women in strongly affected economic sectors such as hotels and restaurants, and in other service activities and the household sector. On the other hand, it is related to the higher incidence of labour informality among women. Informality affects one in two women in the region. In economic sectors

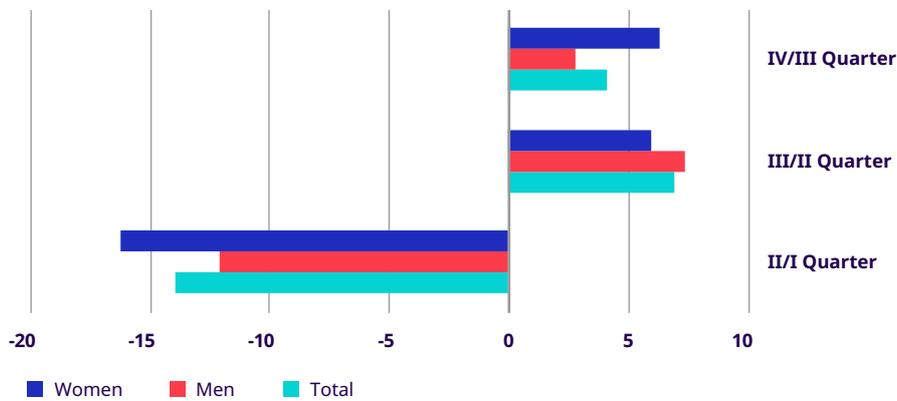
where women workers are concentrated, such as domestic service, the informality rate reaches 80 to 90 per cent. As Figure 3 demonstrates, unlike during previous crises, in this crisis, job losses mainly reflected what occurred in informal jobs, which contracted even more than formal ones.

► **Figure 3.** Quarterly variation in the employment-to-population ratio, unemployment rate and labour force participation rate, by sex (percentages). Latin America and the Caribbean (18 countries). I-IVs quarters, 2020

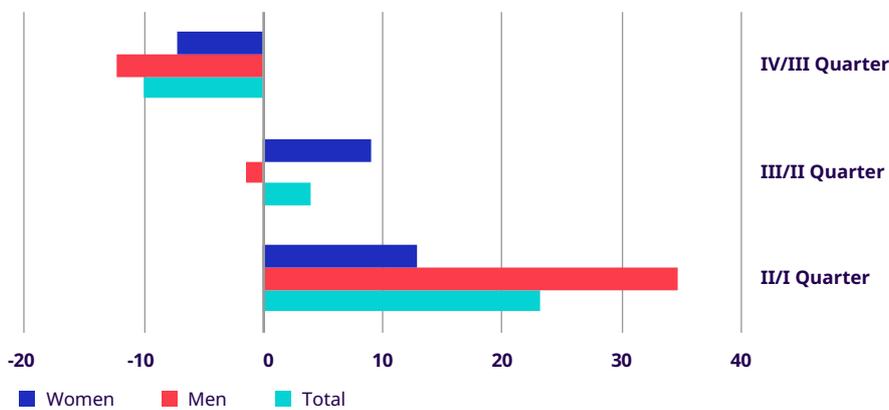
**Employment-to-population ratio**



**Labour force participation rate**



**Unemployment rate**



Source: ILO, based on SIALC / ILO.

Initially, given the limited employment opportunities during this critical time, job losses led not only to transitions to unemployment but mostly to an unprecedented level of departures from the labour force. Again, women had a higher rate of labour market exits. **The labour force participation rate among women fell to 42.8 per cent in the second quarter of 2020, representing a decline of -9 pp (-18 per cent) compared to the same quarter of 2019.**

This was associated with the growing difficulties of reconciling paid employment with family responsibilities in a context where education and care services were profoundly altered by the health measures of social distancing and reduced mobility of persons.

**The outlook is even more discouraging given that the recovery of women's employment between the second and third quarters of 2020 has lagged behind that of men.** Although this situation reversed in the fourth quarter, 2020 ended with a contraction in employment (compared to the first quarter of the year) of -4 per cent among men and -7 per cent among women. In turn, the decline in the employment-to-population ratio between 2019 and 2020 was -9 per cent and -12 per cent, respectively. **Some 12 million women lost their jobs in 2020.**

The women's labour force participation rate followed a similar trend during the second half of the year. While the rate has recovered somewhat in recent months, it fell -9 per cent among women versus -6 per cent among men.

This reduction in women's labour force participation came after decades of women's growing incorporation into the labour force. On average, **it has been more than 15 years since the region recorded such a low rate of labour force participation among women.**

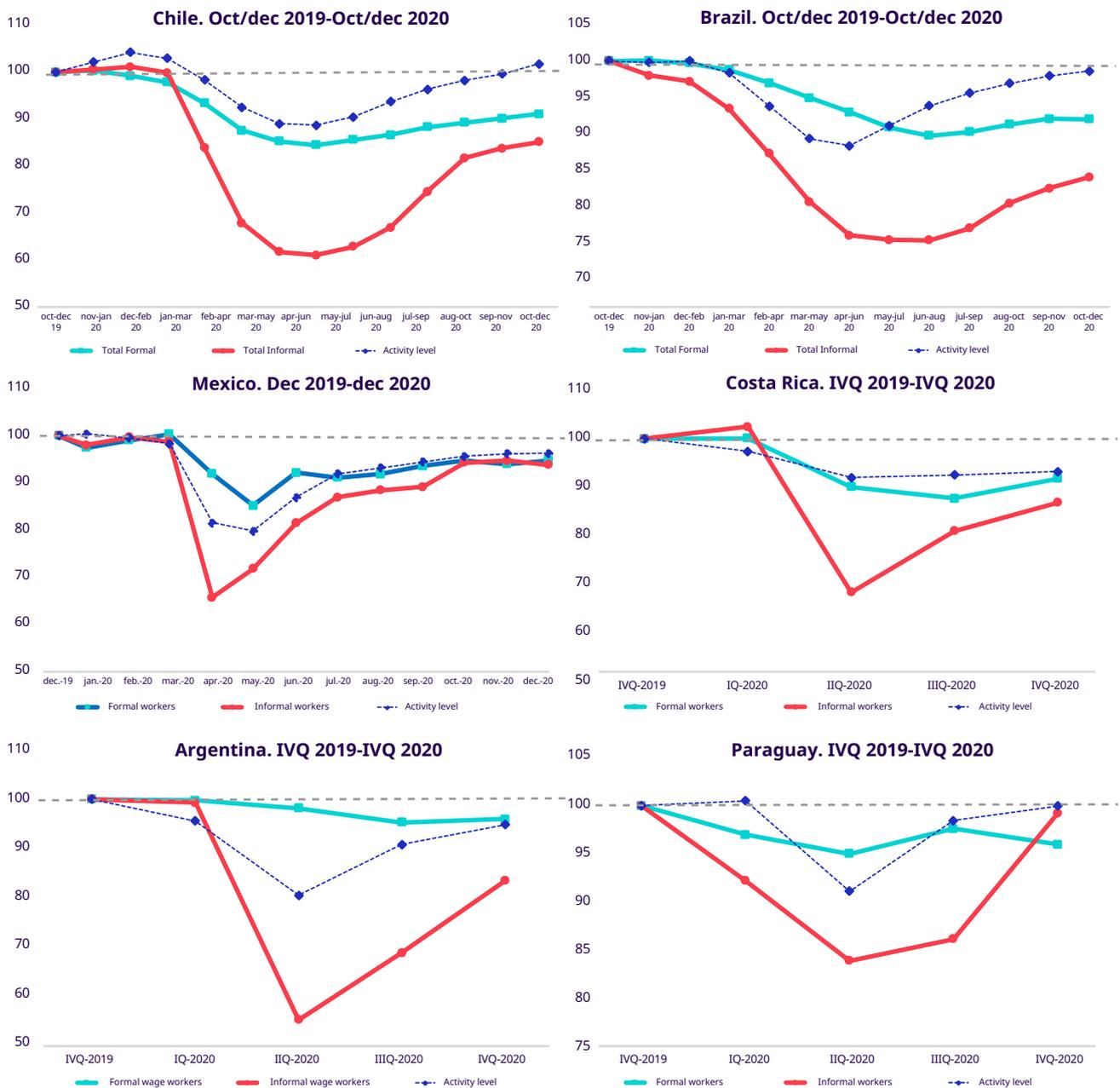
Although the most important factor explaining the contraction of women's employment was the departure from the labour force, the unemployment rate among women also rose. **While the male unemployment rate remained stable (10.3 per cent) between the second and third quarters of 2020, the female unemployment rate rose from 12.3 per cent to 13.4 per cent. Finally, although both indicators declined in the fourth quarter of 2020, the reduction was larger among men** (Figure 3).

**The new waves of contagion and, with them, the implementation of confinement measures, may again negatively affect economic activity and employment in sectors with a greater female presence, making it even more difficult to recover women's employment, thereby widening gender labour gaps.**

## 2.4 Informality: a hallmark of job recovery

As has been pointed out in previous reports (ILO, 2020b, 2020c, 2000d), formal and informal employment trends differ, in many cases, from those observed in previous economic crises. Frequently, when formal employment levels fall, informal employment plays a countercyclical role by increasing. However, **in this crisis, both formal and informal employment contracted sharply, the latter with greater intensity than the former** (Figure 4).

► **Figure 4.** Change in the level of economic activity, formal employment and informal employment. Selected Latin American countries. Year end of 2019 and 2020



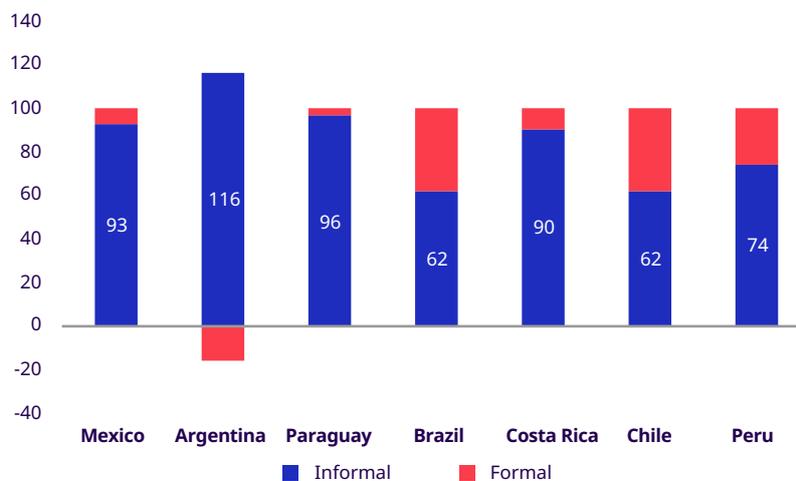
Source: ILO, based on household and employment surveys.

The decline in formal jobs was observed despite the containment measures implemented in several countries, which undoubtedly contributed to limiting these job losses (ILO, 2020c). However, the larger reduction in informal employment caused the informality rate to fall (temporarily) in a context of the overall collapse of employment demand, especially in the early months of the pandemic.

**The percentage of women losing informal jobs exceeded that of men.** By way of example, in Mexico, the number of informal employed women fell by 40 per cent between January and April 2020, 10 pp higher than that of informal employed men. In Peru, around half of women lost their informal employment between the fourth quarter of 2019 and the second quarter of 2020, surpassing the decline in informal employment among men by 20 pp. A similar situation occurred in Costa Rica.

The labour market context is challenging given that the recovery of employment (from the lowest value recorded in each country) in the second half of 2020 was driven mainly by the growth in informal employment (Figure 5). These informal jobs accounted for over 60 per cent of the total increase in employment. In Argentina, wage employment registered in the social security system in the fourth quarter of 2020 fell below the rate observed during the second quarter of that year, with a negative impact on net job creation in that period.

► **Figure 5.** Contribution of formal and informal employment to total employment recovery in the second half of 2020. Selected Latin American countries



Source: ILO, based on household and employment surveys.

This trend suggests that the increase in the activity level did not necessarily require new formal workers because enterprises managed to step up production by increasing the hours worked by suspended and furloughed employees who had returned to work. Additionally, own-account workers and employers of small enterprises, many of them informal, were able to resume activities that had been interrupted by the restrictions. The increase in the number of informal wage positions can also be associated, to some extent, with the reopening of small businesses (whose employees are largely informal), as well as with a transition from formal to informal employment.

**Administrative records show that in most countries, at the end of 2020, formal employment had not reached the rates of the beginning of the year, even lagging behind the change in the level of economic activity.** Accordingly, the future dynamics of formal employment will depend not only on the situation but also on the continuity of measures to maintain it. Considering what has been observed in previous crises, there is a high risk of labour informalization, which will exacerbate the existing high levels of informality in most countries of the region. The formal work deficit, in turn, will likely become more apparent for certain groups of workers such as youth, women and less educated adults, groups that structurally have more difficulty obtaining formal employment.

## 2.5 Impacts of the crisis sharply increased inequality

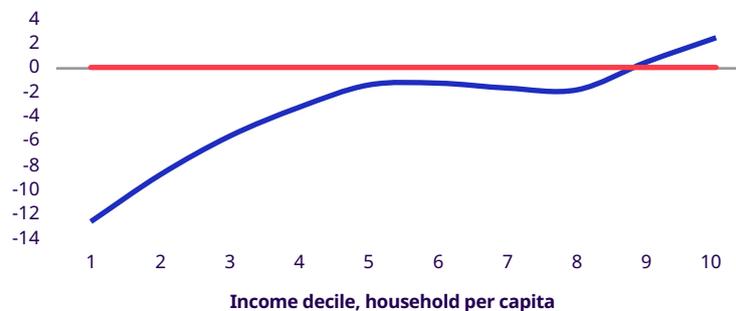
The sharp contraction in employment and hours worked had a negative impact on the generation of labour income. As an example, in Metropolitan Lima, average nominal earnings fell during October-December 2020 by -12.4 per cent compared to the same quarter of 2019. This, combined with the reduction in employment, reduced the total wage bill in that period by -25, after the abrupt -60 per cent loss in April-June 2020. In Argentina, total labour income fell in real terms by -10 per cent between the fourth quarter of 2019 and the third quarter of 2020. This decline was -36 per cent for informal wage earners and -23 per cent for non-professional own-account workers. Costa Rica experienced a -20 per

cent reduction in total labour income between 2019 and 2020, increasing to -40 per cent for dependent informal workers and non-professional own-account workers.

Given the more significant contraction of employment among informal and own-account workers, groups that are located at the bottom of the wage scale, the impact of the crisis has sharply increased inequality.

**In turn, given that labour income accounts for some 80 per cent of total household income in the region, the reduction in this income, especially in the lower part of the distribution, also had a strong and unequal impact on household income.** As an example, in Argentina, households in the lowest income deciles experienced greater losses of monetary resources (Figure 6). It is likely that similar situations occurred in other countries of the region.

► **Figure 6.** Percentage change between 2019 and 2020 in real per capita household income, by income decile. Argentina<sup>7</sup>



Source: ILO, based on the Permanent Household Survey, Argentina.

Finally, this highly unequal dynamic is also apparent in worsening living conditions of the population. According to the most recent ECLAC projections (2021b), the number of people living in poverty increased by some 22 million in 2020, for a total of 209 million. This raised the poverty rate from 30.5 per cent in 2019 to 33.7 per cent in 2020.

Thus, the estimates of greater inequality, poverty and extreme poverty imply significant setbacks. In response, countries of the region must urgently act to implement and strengthen policies to sustain and create more and better jobs, as well as strategies to grant income guarantees for the total population, especially those segments facing greater difficulties in the labour market. Informal workers, micro and small business owners, women and youth -especially lower-skilled workers-, and other vulnerable population groups, such as migrants and indigenous people, require comprehensive interventions tailored to their specific labour needs.

### 3. New challenges add to the structural difficulties in the region's labour markets

The structural challenges of the region's economies include sluggish, fluctuating growth, recurrent macroeconomic shocks, a heterogeneous production structure and low systemic productivity levels. Additionally, in early 2020, when the COVID-19 pandemic reached Latin America and the Caribbean, the region was experiencing an economic and labour situation marked by stagnation and the slowdown or reversal of some previous improvements in its labour markets. The 2014-2019 period recorded the lowest growth rate since the 1950s (0.2 per cent).

<sup>7</sup> The comparison is between the fourth quarter of 2019 and the third quarter of 2020.

In turn, the slow pace of economic growth in the years following the global financial crisis (2008/2009) resulted in weak job creation, especially of higher quality jobs. The employment-to-population ratio has remained relatively stable over the past five years. This trend is in clear contrast to the significant increase observed in the period 2003-2008.

Besides the difficulties the region faces in terms of creating enough jobs in relation to the growth of the labour supply, the region's labour markets are rife with labour informality and income inequality. After a downward trend in these two

indicators in the early 2000s, progress slowed, stopped or even reversed during the five-year period prior to the pandemic. This is compounded by the insufficient capacity to generate wage employment, which is reflected in the high proportion of low-skilled jobs. This tendency strengthened during the years prior to the current crisis, suggesting that these types of jobs played a countercyclical role and served as an alternative to unemployment.

Following the reduction in inequality and wage gaps during the first decade of the new millennium, this trend stagnated or even reversed during the second decade. The change was driven by the increase in the wage premium for education, the weakening of the formalization process and the limited dynamism of certain labour institutions such as the minimum wage. All these factors previously had been important drivers of the distributional improvement in the region.

The gender gaps in labour force participation and labour conditions constitute another structural challenge in Latin America and the Caribbean. Despite significant improvements in the situation of women in the labour market in recent decades, the growth of the female labour supply slowed considerably during the new millennium, while precariousness and informality continued to affect women more than men. The range of employment opportunities continues to be limited for women with little education, with work in private homes concentrating a significant portion of employment in this subgroup of workers, even though this status in employment has been on the decline in recent years. The current crisis has greatly exacerbated all these gender labour gaps.

Finally, the persistence of poverty is one of the most visible manifestations of the region's difficulties in maintaining a path of sustained growth and social inclusion. Thus, the region was already facing daunting challenges before the pandemic, which became significantly worse because of it.

Until early 2020, the world and the region were engaged in serious discussions about the future of work, in which topics such as automation and other processes of change in the organization of production and work took centre-stage in the debate on the future of labour policies. Speculation on the impact of the crisis on employment continues, combined with conjecture on whether pandemic-related disruptions or alterations in production will stimulate the increased digitization and automation of production.

In countries where its effective use was estimated, teleworking increased fourfold compared to the pre-pandemic period. However, this type of work organization acquired characteristics during the pandemic that differed from the usual concept of teleworking. Consequently, this required considering new dimensions for its implementation based on good practices and an appropriate regulatory framework. Specifically, once the pandemic ends, it will be necessary to return to the principle of the mutual agreement of the parties and the delimitation of working hours and their organization that combine flexibility with workday time limits (the right to disconnect). Other factors include ensuring access to



[...] in early 2020, when the COVID-19 pandemic reached Latin America and the Caribbean, the region was experiencing an economic and labour situation marked by stagnation and the slowdown or reversal of some previous improvements in its labour markets.

adequate equipment, connectivity and training; respect for the work-life balance; and compliance with occupational safety and health standards (ILO 2020c).

Another transformation observed in the world and in the region -- which quarantines and restrictions on mobility have exacerbated -- is the transition to the digital economy. However, the significant technological lag and digital divide in Latin America and the Caribbean with respect to more developed regions, as well as within countries, have become increasingly important obstacles for economic growth and the region's participation in global supply chains. The unequal access to these technologies of businesses of different sizes, of workers with different educational levels and of rural areas in relation to urban areas, may not only limit transition to the digital economy but may also significantly increase inequality, in terms of production and productivity as well as with respect to the income of individuals and households.

It is likely that women's challenges in the labour market will worsen owing, on the one hand, to the more pessimistic scenario and fewer opportunities in the labour market and, on the other, because educational and care services are not yet fully functioning, placing the burden of family responsibilities on women. The new waves of contagion and with them, new confinement measures, will also present challenges in these areas.

Finally, youth also face an uncertain future, exacerbating their existing disadvantages in the region's labour markets, which may negatively affect their future employment paths. This is even more true in scenarios of a slow, gradual recovery, where those entering the labour market will find limited job offers (ECLAC-ILO, 2020). Additionally, although young people have the potential to participate in technology sectors and activities, the digital divide and the mismatch between the skills demanded and those acquired are important labour barriers for a significant subset of youth.

## 4. Priority areas of action for a productive, environmentally sustainable and human-centred recovery

The ILO Centenary Declaration for the Future of Work, 2019, focuses on three areas to achieve a sustainable future of work with decent work opportunities for all. The crisis triggered by the pandemic and the challenges mentioned make these areas even more relevant for achieving a human-centred recovery, especially in a region so ravaged by the pandemic.

### 4.1 Increase investment in decent and sustainable work

A key challenge facing Latin America and the Caribbean is to **regain a stable path to growth that creates the jobs needed** to meet the demand of the increased labour supply. This challenge, which is structural in the region, has become even more relevant today since it not only involves recovering the significant losses caused by the pandemic but also reversing the economic slowdown that began in the five-year period prior to the crisis.

The region must fully participate in the global economy to guarantee export earnings capable of financing economic growth. This will help prevent external imbalances and debt that result in serious external crises. Accordingly, macroeconomic and productive policies that create the conditions and incentives to sustainably increase exports are central in this context. However, in an environment characterized by sluggish global trade, the increase in exports will likely be insufficient to generate virtuous economic development that improves the living conditions of the population. This requires policies that both promote greater diversification and the incorporation of new exported goods and services, as well as those that boost sectors that supply domestic demand and create jobs, especially for lower-skilled workers. **Maintaining jobs and stimulating job demand should be priority, crosscutting objectives of recovery policies.**

To this end, **strategies that promote sustained increases in productivity and digital transition** play a crucial role. There are several challenges in this area. Although e-commerce and digital services have grown exponentially in response to mobility restrictions, the region still has significant deficits in terms of connectivity and Internet access, as well as digital gaps that prevent a large group of enterprises, workers and households from taking advantage of new business and employment opportunities. This scenario is even more critical in rural areas, where connectivity deficiencies also have negative implications for the development of agriculture-based supply chains. In response, ongoing investment in infrastructure is needed; if this does not occur, growth opportunities will be delayed.



The ILO Centenary Declaration for the Future of Work, 2019, focuses on three areas to achieve a sustainable future of work with decent work opportunities for all. The crisis triggered by the pandemic and the challenges mentioned make these areas even more relevant for achieving a human-centred recovery, especially in a region so ravaged by the pandemic.

At the same time, the countries of the region should **promote the creation of formal employment and the formalization of informal employment through a comprehensive set of instruments**. To mitigate the negative impacts of the crisis, governments of the region implemented policies to sustain employment and the formal employment relationship. They did so through payroll subsidies or the extension of unemployment insurance to cover the suspension and reduction of working hours (ILO, 2020b, 2020c).

More recently, some countries of the region have progressed in the implementation of policies to facilitate the creation of new formal jobs through economic incentives for the private sector to hire workers or encourage the reincorporation of furloughed workers. The region already had some experience with this type of measure. In addition to design aspects, the effectiveness of these policies depends on the pace of economic reactivation, which must create increased demand for work. These jobs must be created in sustainable enterprises and activities.

Technologies also contribute to the creation of formal employment. Specifically, digital-based tools that facilitate the transition to formality of new ventures and their workers, through flexible, easy and affordable systems. New technologies, artificial intelligence and robotics have considerable potential for obtaining information that enables improved labour inspection systems and oversight of working conditions, while identifying sectors and activities with the most difficulties in complying with these areas. This would not only allow the new jobs to be formal ones; it would also accelerate the process of formalizing those remaining in the informal economy.

These efforts must be accompanied by **measures to support micro, small and medium-sized enterprises (MSME)**, which have been particularly affected by the crisis. Many remain in a highly precarious economic situation. The projections of a weak and uncertain recovery point to a difficult scenario, where the survival of many MSMEs will require the implementation and / or continuity of a series of policies. These include financial and tax support measures, employment protection and those that facilitate and promote digitization (ILO-ACT /EMP, 2020). These policies should be designed for the medium term to underpin processes of productivity growth, access to innovation and new technologies, reduction of the digital divide, insertion in global value chains and improvements in working conditions.

Finally, **the just transition agenda has become increasingly relevant and, with it, the measures to guarantee an environmentally sustainable recovery**. The bioeconomy, renewable energy, eco-tourism and circular economic sectors are potential sources of job creation as well as pillars of a greener, more

just economic recovery in the region. Policies aimed at their promotion must be accompanied by training and certification programmes, economic formalization strategies and full compliance with labour rights (ILO, 2020e).

## 4.2 Increase investment in people's skills

Coupled with productive policies to strengthen the economic recovery, the countries of the region should **increase investment in education and vocational training for current and future jobs.**

The interruption of face-to-face learning created major difficulties for the continuity of education and vocational training. Yet it also represented an opportunity to launch or accelerate innovations that were already being developed. However, although educational institutions and vocational training institutes that already had distance training platforms began to intensify their use and those that did not began to offer them, there was an evident need to build capacities for digital transformation in the region (ILO, 2020f).

The new demands for knowledge and skills that will emerge both during the recovery and in the medium and long-term mean that they must be anticipated and accompanied by efficient, effective systems of lifelong learning that help people to better prepare for transitions in the labour market throughout their working life. The impetus that this crisis gave to the use of technology may be intensifying the existing downward trend in occupations with a high content of routine tasks, as well as promoting the growth of cognitive and non-automated occupations and tasks. These processes are accompanied by new knowledge demands, making access to employment even more difficult for certain groups.

To prevent this situation and to promote a virtuous cycle of technology penetration and creation of quality employment, **new and better strategies are needed for labour policies in the region.** The countries of the region have active labour market policies with different designs, requirements and target populations, which are implemented from various government spheres, in some cases with the participation of the private sector and enterprises. However, their scope is insufficient to meet current demands. These programmes often have only a limited impact on the possibility of obtaining formal employment. The challenge at this juncture is even greater given the uncertainty with respect to the characteristics and intensity of post-pandemic growth, in a context marked by a second wave of infections and difficulties in predicting the speed and effectiveness of mass vaccination campaigns.

Finally, the crisis revealed the significant social protection gaps in the region, especially those related to income. In response, countries **must advance strategies that guarantee economic security based on universal social protection floors.** The critical labour and social situation in the region requires the implementation and expansion of income support measures for individuals and households, regardless of employment status. Recent advances in this area in the countries of the region -- both through contributory and non-contributory pillars -- offer an opportunity to continue increasing coverage and the integration of different instruments and mechanisms to achieve those objectives.

## 4.3 Increase investment in labour institutions

Labour institutions make it possible to implement the desired improvements in the quantity and quality of work. **As such, institutions such as the minimum wage and collective bargaining play a key role in the recovery and income growth of workers, many of whom have seen their labour income decline in 2020.** The recovery creates opportunities to expand issues addressed by collective bargaining, such as occupational safety and health, the adaptation of the working day and measures to increase productivity.

The crisis further evidenced the fundamental role of care activities for human reproduction, whose gender distribution continues to be extremely unequal, with women carrying the greater burden. The pandemic underscored the vital importance of those tasks but also exacerbated the tensions regarding the work-life balance. These tensions are associated with the increase in teleworking and working from

home and with the closure of institutions providing care services in response to confinement and physical distancing measures.

With respect to care services, the region already faced several problems prior to this crisis. First, the extension of service coverage, which remains insufficient in the region, especially that provided by the public sector. Second, the scheduling of these services, which needs to be more in line with work schedules. Third, the education, training and accreditation of the care workers who provide these services. Fourth, the formalization and improvement of working conditions of these workers given that many care services offer only precarious working conditions. The gender perspective again takes centre-stage given that women make up the majority of care workers. In this sector, the difficulties women face in accessing the labour market and occupational segregation are reproduced and amplified.

**Therefore, progress in developing broad coverage of care services is a fundamental pillar that contributes to gender equality and expanding sovereignty over time**, not only because it facilitates the reconciliation between the tasks of production and reproduction, but because it can potentially be a source of new jobs. Again, these efforts must be accompanied by quality training programmes with the relevant accreditations and must comply with labour regulations.

Finally, the countries of the region should continue to strengthen **bipartite or tripartite social dialogue processes** to build consensus and adopt and legitimize policies that mitigate the economic and social impacts of the pandemic and help to sustain a path of recovery and growth focused on the generation of decent work.

To this end, it is essential that the views, perspectives and concerns of the different types of enterprises and workers are represented. The training and empowerment of social partners is crucial for strengthening their participation in permanent dialogue processes. Social partners play an even more important role in the current context in the world of work and, especially in the potential sustainable recovery. The views and knowledge of workers and enterprises through their most representative organizations in social dialogue channels can promote and accelerate the recovery within the framework of the sustainable development agenda (ILO, 2020g).

## 5. Final comments

A year after the onset of the COVID-19 pandemic, the world and the region are once again experiencing new waves of contagion in a context that presents mainly obstacles to the rapid advancement of the mass vaccination of the population.

The new confinement measures, the closure of borders and restrictions on certain economic activities may slow and complicate the path of economic and employment recovery. They may also further widen the region's labour and social gaps.

In such a difficult scenario, the recovery may take longer than anticipated, and may include a sharp increase in the unemployment rate when the millions of people who left the labour force return to it.

The search for a better new normal will require ambitious action to recover from the setbacks in the world of work. The region also faces the challenge of promoting opportunities related to the digital transition, as well as increasing formalization and productivity.

Social dialogue and the building of new consensuses, pacts or agreements are more relevant than ever to address policies to promote decent and productive employment, the expansion of social protection and respect for labour rights.

## References

- ECLAC** (2021a) *Preliminary Overview of the Economies of Latin America and the Caribbean, 2020*, ECLAC, Santiago.
- \_\_\_\_\_ (2021b) *Social Panorama of Latin America, 2020*, ECLAC, Santiago.
- ECLAC-ILO** (2020) *Labour Situation in Latin America and the Caribbean. Labour dynamics in a crisis of unprecedented characteristics: policy challenges*, No. 23, November.
- ILO** (2020a) *ILO Monitor: COVID-19 and the world of work*. Seventh edition. Updated estimates and analysis, ILO, Geneva.
- \_\_\_\_\_ (2020b) Technical note "Labour Overview in times of COVID-19. Impact on the labour market and income in Latin America and the Caribbean." Second edition, ILO, Lima.
- \_\_\_\_\_ (2020c) *2020 Labour Overview*, ILO, Lima.
- \_\_\_\_\_ (2020d) Technical note "Labour Overview in times of COVID-19. Impact on the labour market and income in Latin America and the Caribbean," ILO, Lima.
- \_\_\_\_\_ (2020e) Regional technical note "Panorama Laboral en tiempos de la COVID-19. Una recuperación verde y justa en América Latina y el Caribe: una perspectiva desde el mundo del trabajo," ILO, Lima.
- \_\_\_\_\_ (2020f) Regional technical note "Panorama Laboral en tiempos de la COVID-19. Formación profesional en la respuesta a la crisis y en las estrategias de recuperación y transformación productiva post COVID-19," ILO, Lima.
- \_\_\_\_\_ (2020g) *A Global Trend Analysis on the Role of Trade Unions in Times of COVID-19. A Summary of Key Findings*, ILO, Geneva.
- ILO-ACT/EMP** (2020) *ENTORNO MIPyME Medidas de apoyo a la micro, pequeña y mediana empresa en América Latina y el Caribe frente a la crisis de la COVID-19*, ILO, Lima.



#MyFutureOfWork