

► Policy Brief

December 2020

Paraguay: Impacts of COVID-19 on employment and income generation¹

Key points

- ▶ Despite the high informality in the Paraguayan labour market and the relatively late development of labour institutions, the response of public policies to the impact of COVID-19 and the consequences of the strict confinement measures was decisive and innovative and, in the initial phases have shown encouraging results. However, it is a fragile achievement, since the relaxation of the measures, the number of infections has increased again, putting the results achieved at risk.
- ▶ According to the results of the Continuous Permanent Household Survey (EPHC), the employment rate in Paraguay fell by 4.3 percentage points between the second quarter of 2019 and the second quarter of 2020 (from 65.9 to 61.6%), that is, the occupation fell by approximately 160 thousand people. In the third quarter of 2020, the employment rate experienced a partial recovery to 64.9 percent, yet remaining 2.4 percentage points below the level of the third quarter of 2019.
- ▶ Many persons were categorized as being “circumstantially inactive” rather than “unemployed”. The most recent figures, for the third quarter, do however indicate a significant increase in the unemployment rate, from 6.2 per cent in 2019 to 8.2 per cent in 2020, which reflects the fact that active employment search was more feasible than during the second quarter. The rise in the unemployment was born almost exclusively by women (an increase of 4.0 percentage points, compared to 0.2 percentage points for men).
- ▶ In absolute terms, 218,000 persons were categorized as being in circumstantial inactivity due to the pandemic in the second quarter of 2020, a number that had roughly halved by the third quarter (111,000 persons).
- ▶ To protect workers in the workplace, the promotion of teleworking and, later, the so-called “smart lockdown” scheme for a gradual return to workplaces has been considered since the beginning of the crisis.
- ▶ Two central elements in the response have been the design and implementation of subsidies: one for formal workers whose employment contracts were temporarily suspended, and the other for informal workers.
- ▶ The COVID-19 crisis also strongly drove the digitization of the services provided by labour and vocational training institutions, as well as leading to significant growth in the management capabilities and timely analysis of administrative records for purposes of analysing the employment situation.

¹ This note was produced by Gerhard Reinecke, with Guillermo Montt, Aram Cunego, Veronica Herken, Andrea Ocampos and Paola Valfredi, of the Decent Work Team for the Southern Cone of Latin America, and the EMPLAB branch of ILO in Geneva

► 1. Introduction

Compared to other countries in the region, Paraguay initially recorded a relatively favourable trend in the number of coronavirus disease (COVID-19) infections. The country managed to contain the virus by taking early and tough measures to slow the spread of COVID-19, closing businesses, restaurants, schools and universities and banning public events. While it is difficult to estimate what the situation would be in Paraguay without the containment measures, they have had a major social and economic impact, prompting the Government to launch a public policy package.

Act No. 6524 declaring the state of emergency, enacted on 26 March 2020 and regulated through Decree No. 3506 of 31 March 2020, contains a series of administrative, fiscal and financial measures. These measures represent a tremendous effort in a country that traditionally has a stable macroeconomic environment but low tax revenues as a proportion of gross domestic product (GDP) compared to other countries of the region, relatively late institutional development (the Ministry of Labour, Employment and Social Security was created as recently as 2014) and a high level of economic and labour informality.

Given the initial success of the virus containment strategy, the country quickly developed plans for a gradual return to the workplace. As of October, however, it appears that progress in this area has been patchy; in recent months, there has been a significant increase in infections, particularly in densely populated areas.

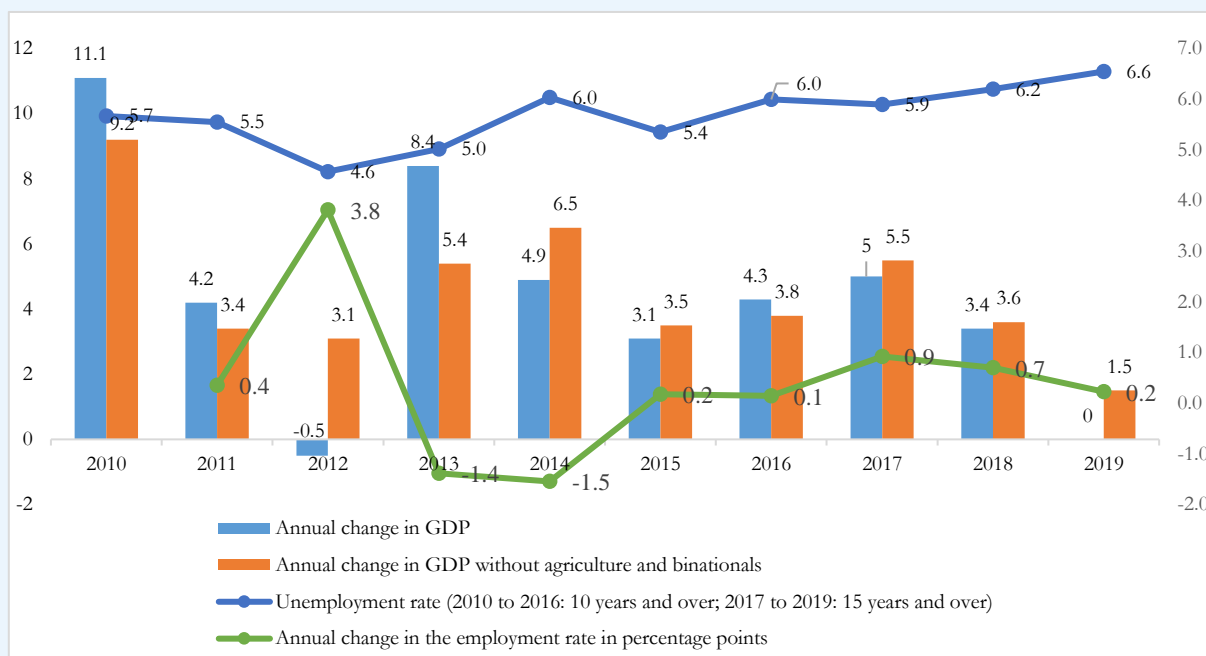
The Ministry of Labour, Employment and Social Security (MTESS) has submitted to the National Economic Team, headed by the Ministry of Finance, an Employment Stimulus Plan, which seeks to “...promote actions and policies that contribute to the economic recovery, through the promotion of active employment policies, entrepreneurship, and labour and productive reconversion, thus supporting the sustainability and generation of new jobs”. This Plan, in turn, forms part of the Government’s Economic Recovery Plan, which aims to foster a more favourable economic and social outcome in the medium term. Some of the measures outlined in the Plan require policy and budgetary decisions to be taken by parliament and the development of more detailed strategies before they can be implemented.

► 2. Overview of the context and labour market prior to the COVID-19 pandemic

Paraguay is characterized by a low unemployment rate relative to the regional average. In 2019, the national unemployment rate was 6.6 per cent in Paraguay, while the regional average for Latin America and the Caribbean was 8.1 per cent (ECLAC and ILO 2020). Another characteristic of the unemployment rate is the lack of a clear correlation with economic cycles, a behaviour that

persists, albeit to a lesser degree, even in the growth series without agriculture and binationals. Figure 1 shows the absence of a clear correlation between annual variations in GDP and the unemployment rate until 2016, and a very moderate impact of the economic slowdown between 2017 and 2019 on unemployment and on the annual variation in the employment rate.

► **Figure 1. Changes in GDP, in GDP without agriculture and binationals, and in the unemployment rate, 2010-19 (in percentages and annual growth rate)**



Note: The unemployment rate 2010–16 is based on working age population 10 years and over and, from 2017, 15 years and over. The annual change in the employment rate until 2017 is based on 10 years and over and, from 2018, 15 years and over.

Source: Central Bank of Paraguay (2020a), Department of Statistics, Surveys and Censuses (DGEEC), Permanent Household Survey (EPH) and Continuous Permanent Household Survey (EPHC): (1) Main employment indicators by year of survey, according to area of residence, 1997/98–2018; (2) Key results country total, annual Continuous Permanent Household Survey 2017–18; (3) Quarterly Employment Bulletin, Continuous Permanent Household Survey, fourth quarter 2019.

In any event, the labour market problems of Paraguay are just as or more likely to be expressed as informality (and, to a lesser extent, underemployment) than as unemployment. In 2019, 69.6 per cent of the employed population was in informal employment (ILO 2020a). Informality is frequent in both informal and formal establishments, which has negative implications for productivity and incomes and denies workers the rights of access to social security, trade union representation and

association, legal support, and compliance with occupational health and safety standards. The high incidence of informal employment in the formal sector of the economy (20.5 per cent of total employment in 2019) is a feature of Paraguay and is due to institutional weaknesses in areas such as labour inspections and social security. In 2018, almost half of informal workers were salaried employees and around 40.9 per cent were own-account workers (ILO 2020a).

► 3. Impact of the pandemic on the labour market

3.1. Infection trends and health response

The first case of COVID-19 in Paraguay was confirmed on 7 March 2020. Four days later, the Government announced a partial lockdown (Resolution No. 90/2020),

suspending classes at all levels of education and banning mass gathering events and activities. On 20 March, once community transmission of COVID-19 had been confirmed, the Government announced a full lockdown (Decree No. 3478/2020) and, on 24 March, the closure of the country's borders. These measures fully restricted the movement of persons, with exceptions in cases of

necessity or emergency and for key workers and healthcare personnel. Paraguayans returning from abroad were required to undergo a 14-day period of preventive quarantine in State-designated accommodation.

On 26 March, a national emergency was declared through Act No. 6524, through which the health and socio-economic response was set out. Towards the end of May, which coincided with a flattening of the curve of new infections, the Government implemented a “smart lockdown” and proposed the gradual relaxation of the containment measures in four phases from May to July 2020. In mid-June, however, there was an increase in the number of infections, especially in the most densely populated areas of the country – the capital city area (Asunción and the metropolitan area) and the Central and Alto Paraná Departments. This situation prompted the Government, first, to extend the duration of phase three of the smart lockdown and, later, to establish specific measures in specific areas of the country, including the reapplication of certain restrictive measures, albeit with some exceptions aimed at mitigating the economic impact.

3.2. Impact on the economy and business

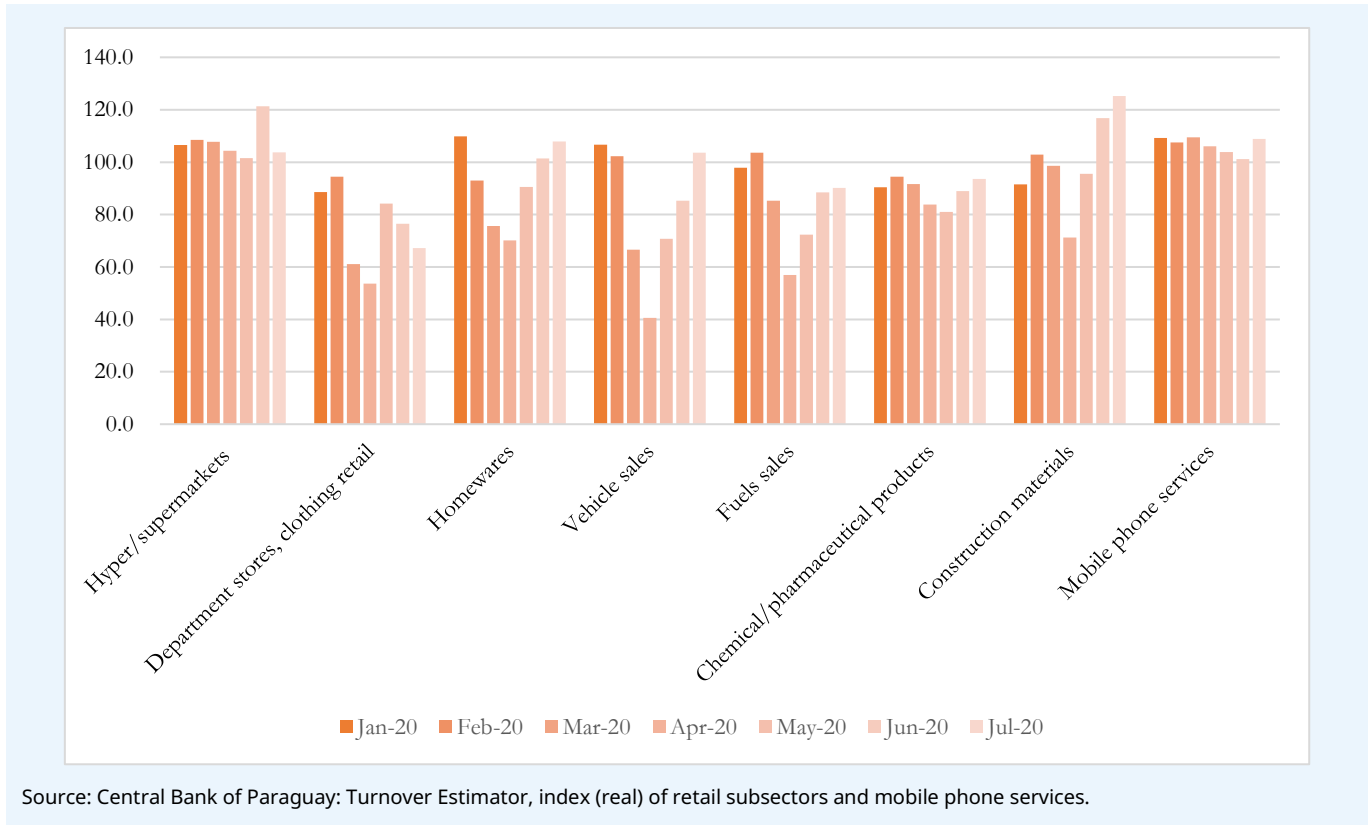
The strict COVID-19 containment measures have had a major impact on economic activity. That said, in July 2020 the Central Bank of Paraguay (CBP) projected a GDP contraction of -3.5 per cent for 2020 (CBP 2020a), a less severe downturn than in the majority of the other countries of the region. This is partly because the economic projections made prior to the COVID-19 crisis – the forecast in December 2019 was for 4.1 per cent for 2020 (CBP 2020d) – estimated higher economic growth than the regional average, and partly because the initially relatively low number of infections allowed for an early return to economic activity.

Data from the monthly indicator of economic activity of Paraguay, available up to September 2020, show a decrease in the accumulative figure for the first nine months of the year of -0.5 per cent compared to the previous year (-1.9 per cent, excluding agriculture and binational companies). The biggest decrease relative to the same month of the previous year was in April 2020, for both the indicator without agriculture and binational businesses (-15.0 per cent) and the total economy indicator (12.2 per cent); whereas, in May, the decrease was somewhat lower (-9.8 per cent without agriculture and binationals, and -7.4 per cent for the total indicator) (CBP 2020c).

Data from the Central Bank of Paraguay for the worst-affected months show that this year-on-year behaviour has largely been influenced by the negative performance in the services sector, manufacturing and electricity generation. Positive results in agriculture, livestock and construction, however, have helped to mitigate the economic downturn. When it comes to services, however, the negative effects observed predominate, especially for hotels and restaurants, household services, retail, business services, transportation, government services and financial intermediation. On the other hand, the telecommunications sector returned positive results (CBP 2020c).

Some economic areas, such as the services sector, have been particularly affected by physical distancing measures, and steep falls in the activity of restaurants and hotels (-78.1 per cent), household services (-30.8 per cent) and business services (-10.6 per cent) are projected for 2020 as a whole (CBP 2020e). Department store and clothing retail sales plummeted in March and April and, despite an initial recovery in May 2020, continued to be flat in July 2020 (figure 2). By contrast, supermarket sales and mobile phone services remained stable or even higher than the previous year. Lastly, other retail subsectors felt the impact of the crisis but began to recover in May 2020.

► **Figure 2. Sales per retail subsector, January to July 2020**



In an April 2020 survey of 635 companies in different economic sectors, just 2.0 per cent were unaffected by the crisis, while 67.7 per cent had paused their activities entirely. Of the remaining 30.1 per cent, who reported a fall in activity, half had experienced a decline of 25 per cent, while the other half had faced an even larger decrease. Regarding measures to tackle the crisis, 42.1 per cent of large companies and 24.4 per cent of micro, small and medium-sized enterprises had adopted new working arrangements (MIC, MTESS and Sinafocal 2020). It should be noted that the survey sample was not random, and it is therefore believed that companies hardest hit by the crisis are overrepresented.

Paraguayan exports, excluding re-exports and electricity exports, remained stable between January and August 2020 compared to the same period in 2019. However, the cumulative figure belies strong monthly variations not attributable solely to the COVID-19 crisis, since the largest decrease was in January (-22.8 per cent), followed by April

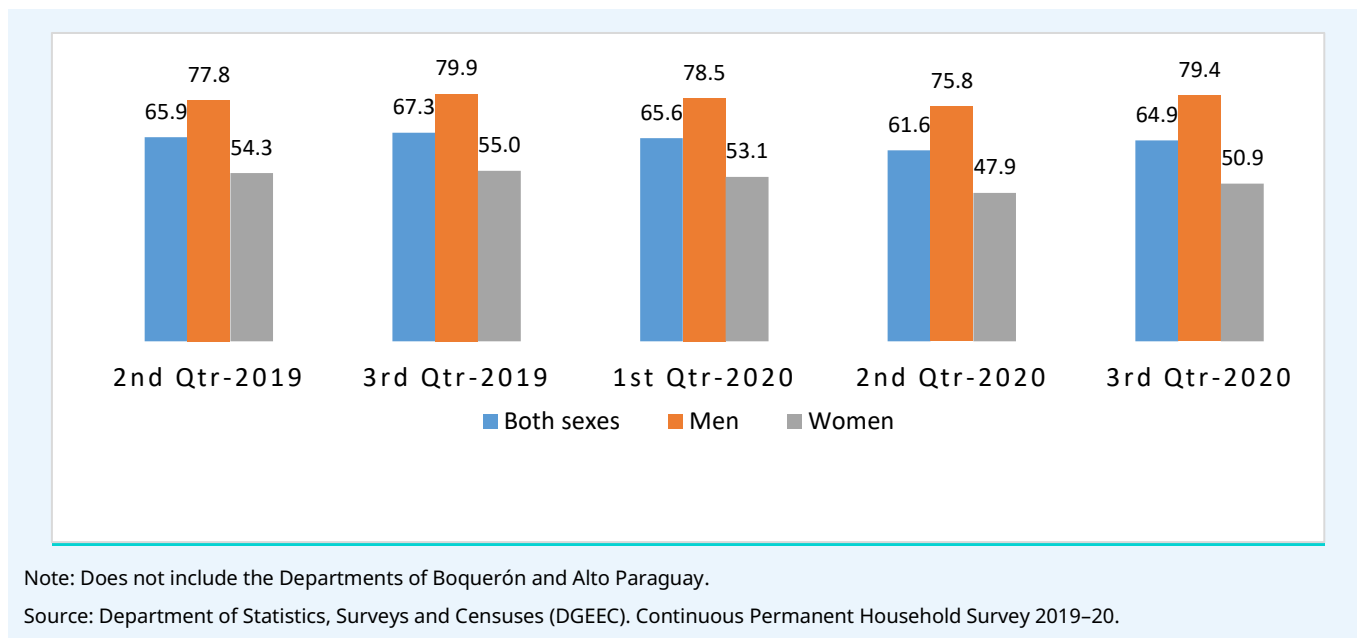
(-19.1 per cent) (SEI 2020; CBP 2020b). On the other hand, the decrease in exports for the *maquila* industry was much more significant, with a cumulative loss of -26.9 per cent between January and August 2020 compared to the previous year, albeit concentrated in April (-78.7 per cent) and May (-60.6 per cent) (SEI 2020; CBP 2020b).

3.3. Impact on the labour market

According to the results of the Continuous Permanent Household Survey,² between the second quarter of 2019 and the second quarter of 2020 the employment rate in Paraguay fell by 4.3 percentage points – from 65.9 per cent to 61.6 per cent – or by approximately 160,000 persons. This decrease mainly affected women, with a fall of 6.4 percentage points compared to 2.0 percentage points for men. In the third quarter of 2020, the employment rate experienced a partial recovery to 64.9 per cent, remaining however 2.4 percentage points below the level in the third quarter of 2019 (figure 3).

² After the suspension in March 2020 of field-based survey and information activities, a series of methodological adjustments were made (DGEEC 2020a) to carry out surveys by telephone, in line with the conceptual and methodological guidelines of the ILO.

► **Figure 3. National employment rate, by sex, per quarter**



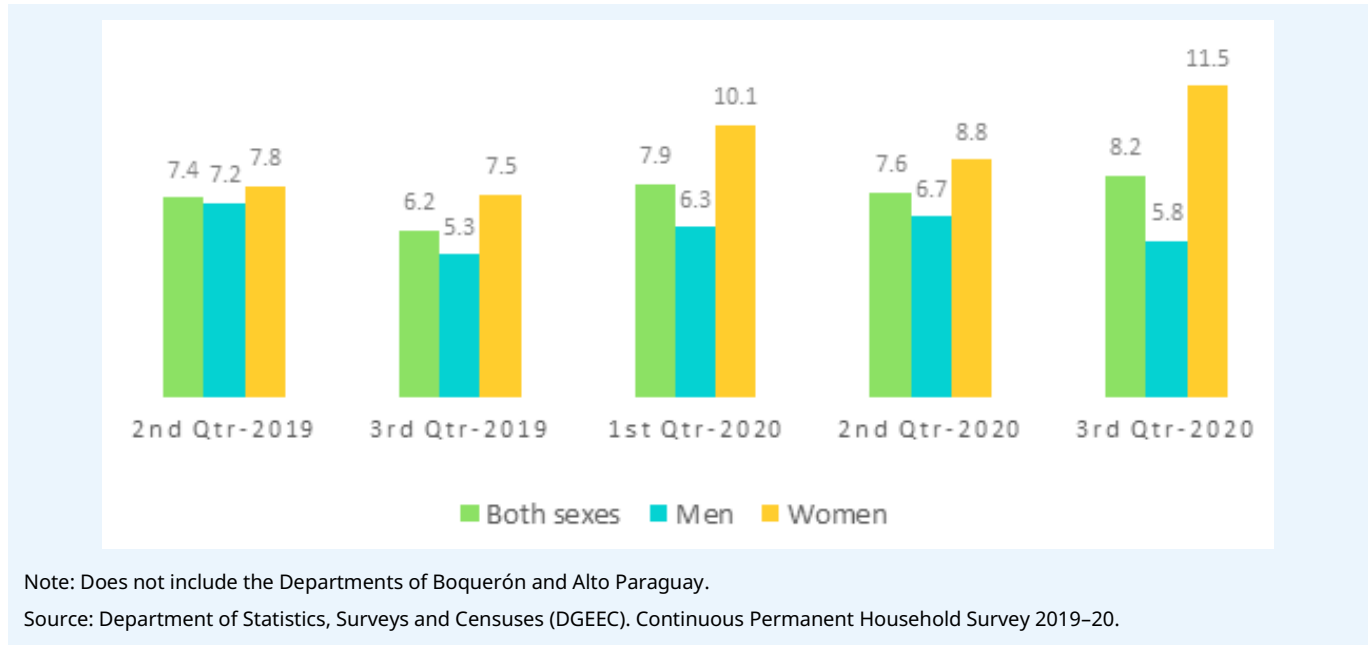
This fall in the employment rate has been relatively small compared to other countries of the region during the same time period. According to a regional study published in September 2020 by the International Labour Organization (ILO), Paraguay is, after Uruguay, the country where the crisis has had least impact on the employment rate (ILO 2020c). This can be explained by the fact that, as already indicated, at the end of May and in June, many of the economic activities that had been paused due to containment measures were able to resume, since the number of infections was relatively low in the second quarter of 2020.

It should also be noted that job losses were concentrated in urban areas, where the employment rate fell by 5.7 percentage points in the second quarter, whereas the decrease was just 1.7 percentage points in rural areas. This trend was even more striking in the third quarter of 2020, when the urban employment rate was 4.4 percentage points lower than in the previous year, while the rural employment rate increased by 1.3 percentage points. It seems likely that in reaction to the COVID-19

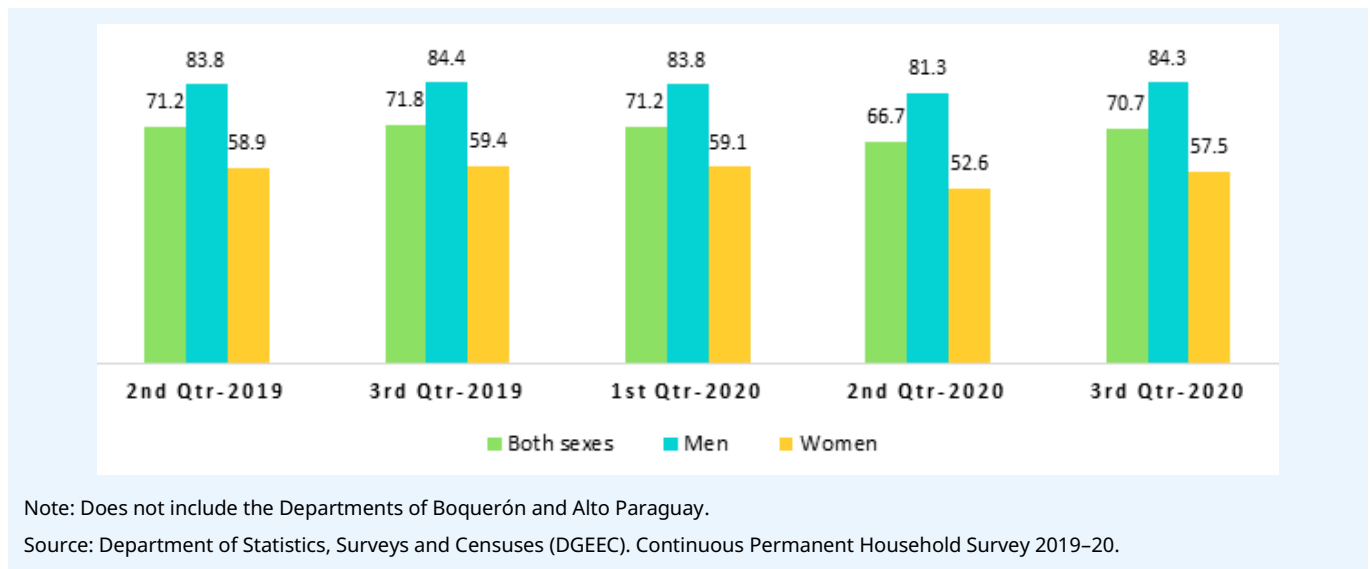
crisis, some people who had migrated to the cities returned to their rural regions of origin.

In addition, data from the Continuous Permanent Household Survey show that the impact of the crisis initially did not lead to a significant increase in the unemployment rate (figure 4). This fact is largely explained by the fact that, as a result of the restrictions imposed by the health authorities, many of the persons affected did not technically meet the criteria for “being available to work” or “actively seeking employment”, for which reason they were not included in the unemployment rate calculations. As a result, many persons were categorized as being “circumstantially inactive” rather than “unemployed”. The most recent figures, for the third quarter, do however indicate a significant increase in the unemployment rate, from 6.2 per cent in 2019 to 8.2 per cent in 2020, which reflects the fact that active employment search was more feasible than during the second quarter. The rise in the unemployment was born almost exclusively by women (an increase of 4.0 percentage points, compared to 0.2 percentage points for men).

► **Figure 4. National unemployment rate, by sex, per quarter**



► **Figure 5. Labour force participation rate, by sex, per quarter**



Between the second quarters of 2019 and 2020, the labour force participation rate fell by 4.5 percentage points, from 71.2 per cent to 66.7 per cent, with a more pronounced decrease among women than men. During the third quarter of 2020 however, the participation rates

almost returned to the level of the previous year (figure 5). In absolute terms, 218,000 persons were categorized as being in circumstantial inactivity due to the pandemic in the second quarter of 2020, a number that had roughly halved by the third quarter (111,000 persons) (table 1).

► **Table 1. Unemployment, underemployment and circumstantial inactivity**

Unemployment, underemployment and circumstantial inactivity	2nd Qtr 2019	3rd Qtr 2019	1st Qtr 2020	2nd Qtr 2020	3rd Qtr 2020
Unemployed population	264 683	2 242 666	285 904	256 882	294 697
Population underemployed owing to insufficient working hours	246 896	220 217	209 273	243 324	301 488
Population classified as being in circumstantial inactivity	-	-	-	217 904	111 162
Total for the three situations	511 579	444 483	495 177	718 110	707 347
Population in the workforce including those in circumstantial inactivity	3 555 774	3 602 340	3 606 972	3 608 459	3 724 780
Total of the three situations as percentage of the workforce and circumstantial inactivity	14.40	12.3	13.7	19.9	19.0

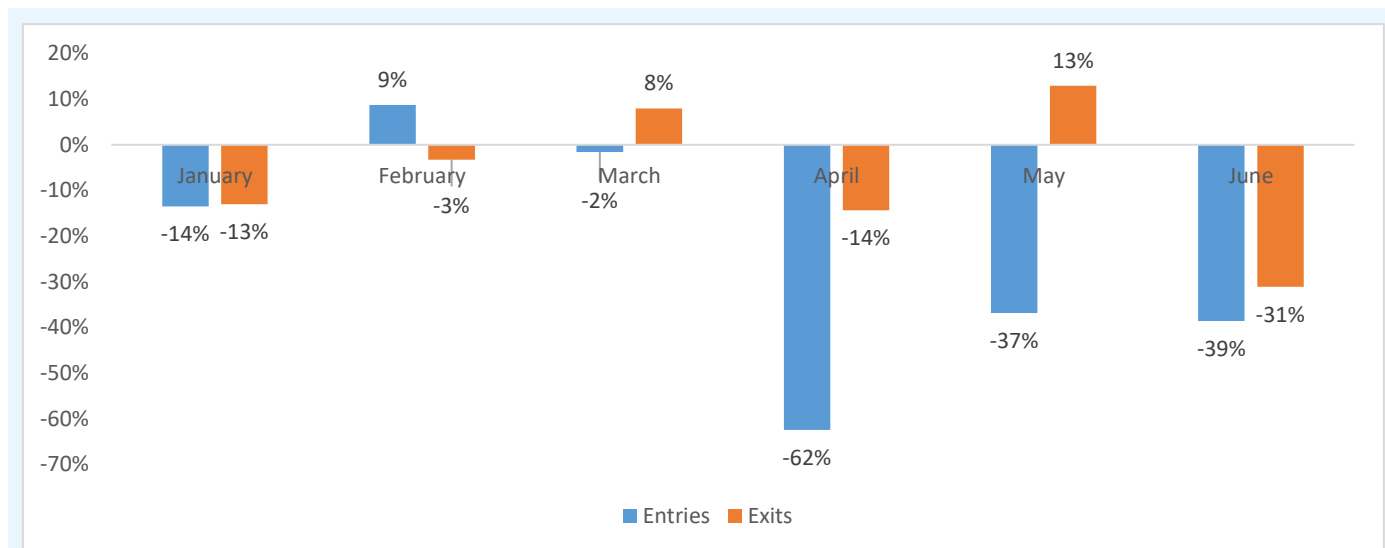
* Calculated only on main occupation due to cuts in the EPHC 2nd quarter 2020 questionnaire.

Source: Department of Statistics, Surveys and Censuses (DGEEC). Continuous Permanent Household Survey (EPHC) 2019–20.

Patterns in the reporting of new hires and separations in the Ministry of Labour, Employment and Social Security’s employment records point to a sharp fall in the buoyancy of the formal wage labour market. As shown in figure 6,

between February 2019 and February 2020, there was an 8 per cent increase in job hires and a 3 per cent fall in separations, while in April there was a 62 per cent decrease in new hires.

► **Figure 6. Year on year change in reporting of entries and exits of workers in the formal private sector, from January to June 2019 and 2020**

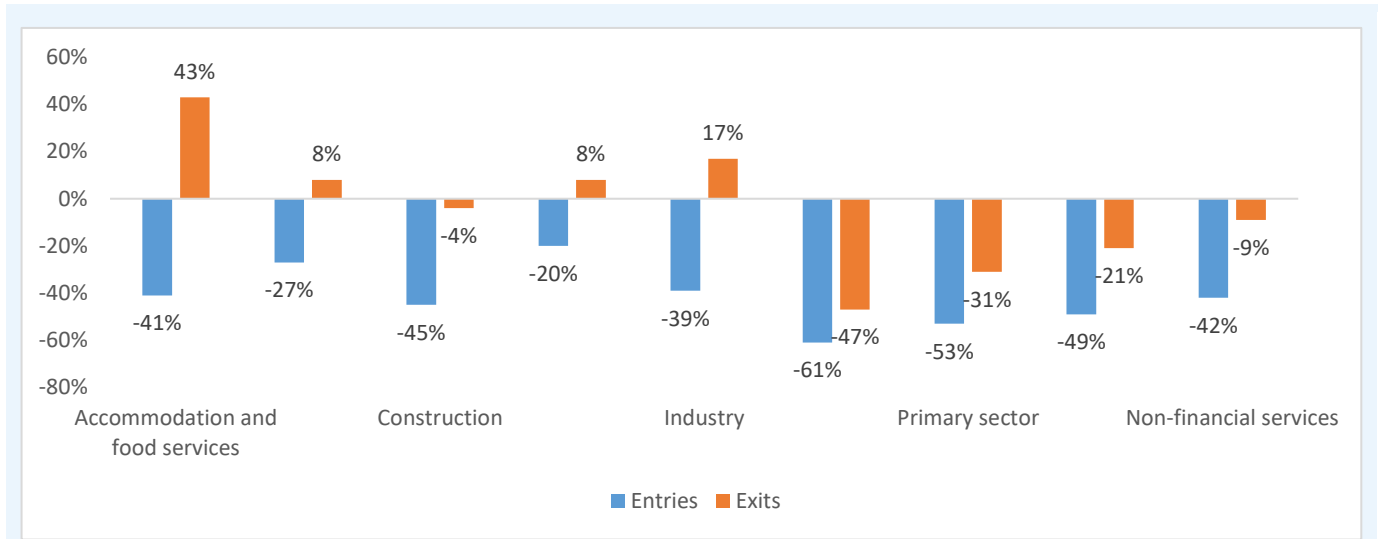


Source: Prepared using the administrative records of the Ministry of Labour, Employment and Social Security. www.mtess.gov.py/observatorio/serie-2015-2020-registros-de-comunicaciones-de-entrada-y-salida-de-trabajadores.

The decrease in new formal wage earners cuts across all sectors of the economy (figure 7). Apart from the retail trade and education sectors, all sectors show a drop of

more than 40 per cent in the number of additions to the payroll.

► **Figure 7. Change in entries and exits of workers in the formal private sector, by economic activity, from the time the COVID-19 isolation measures came into force (March and April 2020 compared to January and February 2020)**



Source: Ministry of Labour, Employment and Social Security (2020e).

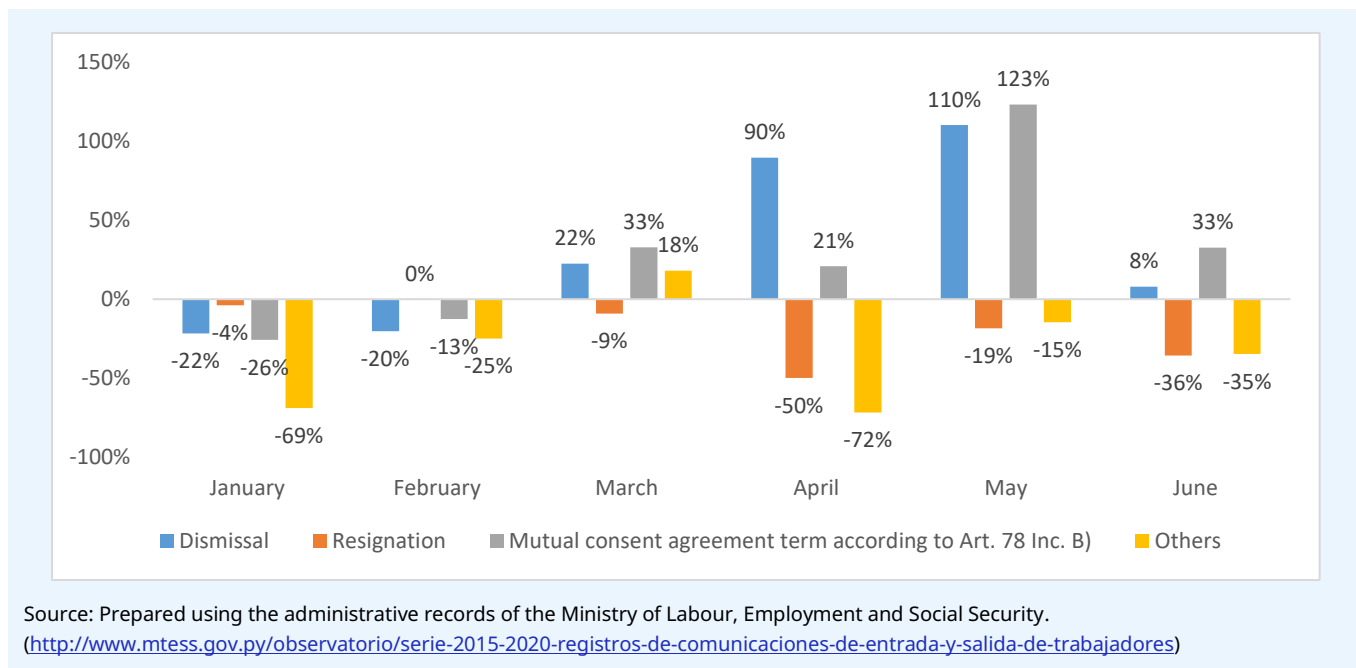
While the -14 per cent decrease in the number of exits from the formal sector between April 2019 and April 2020 may seem surprising in a context of falling demand, it is likely due to the willingness by employers and workers to accept suspensions of work contracts. While dismissals may entail an obligation on the part of the employer to pay compensation to workers, suspensions do not, since

the Social Security Institute subsidizes the share of income no longer going to workers (see section 4).³

Figure 8 also shows the changing reasons behind these exits, revealing an increase in dismissals and contract terminations by mutual consent and a decrease in resignations during the months of the pandemic.

³ The option of suspending employment contracts was available before the current crisis but use thereof was simplified for micro, small and medium-sized enterprises through the establishment of specific, but less demanding, requirements with regard to the documentation submitted for employment contract applications, in line with articles 71 and 72 of the Labour Code during the health emergency (MTESS Resolution No. 539/2020, 30 March 2020).

► **Figure 8. Year on year change in reporting of exits, by main reason given, 2019-20**



Administrative records regarding temporary work contract suspensions also make it possible to estimate the extent of the pandemic’s impact. As of 18 June 2020, 93,895 job suspensions had been registered (MTESS 2020d), which is equivalent to 18.5 per cent of formal private sector workers according to the 2019 fourth quarter baseline scenario (Continuous Permanent

Household Survey). Those suspensions effected up to 29 April 2020 are also categorized according to sector of economic activity (MTESS 2020a), which allows for a comparison of their sectoral distribution with the sector-specific risk rating developed by the ILO (2020b) (table 2).

► **Table 2. Temporary work contract suspensions by sector of economic activity, to 29 April 2020**

Branch of economic activity	Risk level (ILO rating)	Suspensions (no. of workers affected)	Formal private workers (EPHC 4/2019)	Suspension rate (5%)
Electricity, gas, water supply	Low	5	1,009	0
Agriculture, livestock, forestry and fishing	Medium low	643	28,273	2
Construction	Medium	2 662	17,207	15
Finance, insurance, real estate	Medium	1 503	76,109	2
Transport, storage, communications	Medium high	3 563	33,162	11
Manufacturing industry	High	16 066	120,045	13
Retail trade, restaurants, hotels	High	36 866	186,555	20
Community, social and personal services	High	9 409	44,917	21
No data available		9 842		
Total		80 559	507,277	16

As of 29 April 2020, contract suspensions affected 15.9 per cent of formal workers in the private sector according to the 2019 fourth quarter baseline scenario, established by the Continuous Permanent Household Survey. The hardest-hit sectors are those classified by the ILO as at high risk due to the COVID-19 crisis, namely community, social and personal services (20.9 per cent), the retail trade, restaurants and hotels (19.8 per cent) and the manufacturing industry (13.4 per cent), as well as the medium-risk construction sector (15.5 per cent).

Of the 93,895 job suspensions, in 70.8 per cent, or 66,483, of cases the suspension had expired by 30 June 2020 (MTESS 2020d). Owing to limitations in the statistical

information, however, it cannot be determined how many of those suspensions culminated in a return to employment and how many of those jobs were finally lost as a result of subsequent layoffs or business closures.

Another effect of COVID-19 on the labour market in Paraguay can be seen in the more than 9,000 citizens who have been repatriated since the start of the pandemic until the beginning of July 2020.⁴ In most cases, these are Paraguayan citizens resident in other countries who decided to return to Paraguay to seek employment opportunities due to the economic difficulties they faced in their countries of residence.

► 4. The national response to the crisis

4.1 Institutional resources and challenges

As already mentioned, the main measures initially taken to deal with the pandemic were introduced through Act No. 6524, declaring the state of emergency, which was enacted on 26 March 2020 and regulated through Decree No. 3506 of 31 March 2020, and which contains a series of administrative, fiscal and financial measures.

These measures represent a tremendous effort in a country that, as already stated, traditionally has a stable macroeconomic environment but low tax revenues as a proportion of GDP, relatively late institutional development (the Ministry of Labour, Employment and Social Security was recently created in 2014) and a high level of economic and labour informality.

More recently, these measures were supplemented by the introduction of a “smart lockdown” to enable a gradual return to activity, as well as by the Employment Stimulus Plan and the Economic Recovery Plan submitted on 7 May 2020 and 29 June 2020 respectively to the National Economic Team, which comprises the main ministries of the executive branch. These two important policy documents need to be accompanied by legal and

regulatory instruments in order to ensure their full funding and implementation, for which reason the measures they contain are being applied in a partial and gradual manner.

It should also be pointed out that, compared to other countries of the region, the fiscal approach of Paraguay to tackling the COVID-19 crisis has been considerable (4.2 per cent of GDP), slightly above the average measured as a percentage of GDP (3.9 per cent), even without the additional measures envisaged in the Economic Recovery Plan (ECLAC 2020a). The allocation and implementation of resources are also relevant data in view of the labour consequences of the crisis, given that the size of the fiscal stimulus package for tackling the COVID-19 crisis may be associated with a lower impact on the labour market (ILO 2020c).

Below are the data relating to the distribution of resources (in millions of US dollars) allocated to fund the main measures adopted by the Government in response to the COVID-19 crisis and the level of budgetary implementation up to August 2020⁵ (table 3). Resources have been categorized by area of intervention, providing specific data relating to the main programmes mentioned in this brief.

⁴ See www.ultimahora.com/covid-19-un-total-9025-paraguayos-ya-fueron-repatriados-n2893300.html

⁵ Source: <https://rindiendocumentas.gov.py/covid/perfilprestamo>

► **Table 3. Budget and progress made in implementing resources as of 8 October 2020, Government resources directed towards the COVID-19 emergency**

Distribution of debt by thematic area	Budget (US\$ millions)	Progress (US\$ millions)	% implemented
Social protection	405.3	300.2	74.1%
Subsidy for workers affected by COVID-19	177.0	177.0	
Subsidy for workers for cessation of activity (suspensions)	91.0	42.6	
Subsidy for family food stamps	23.5	23.5	
Subsidy for informal workers – Pytyvo 2.0	113.8	57.1	
MSMEs and capitalization	243.4	239.7	98.5%
Ministry of Finance	192.0	190.3	
Development Financing Agency	17.1	15.2	
Crédito Agrícola de Habilitación agricultural loans facility	17.1	17.1	
Ministry of Public Works and Communications	17.1	17.1	
Functioning of the state	209.9	196.5	93.7%
Temporary cash transfers to adults	50.7	49.3	
Temporary cash transfers to families affected by COVID-19	31.8	31.7	
Other	127.3	115.5	
Economic recovery	257.0	154.3	60.0%
Public services subsidy	43.7	43.0	98.3%
Health	416.3	44.6	10.7%
Other/Assistance to shelters	4.3	2.8	63.7%
Total	1 579.9	981.1	62.1%

Note: The subsidy for informal workers (Pytyvo 2.0) is included in the social protection category.

Source: <https://rindiendocumentas.gov.py/covid/FichaCovid>

As part of the response to the current crisis, major innovations for the future of labour institutions have also been proposed. These include a proposal for social security reform and the drafting of two employment insurance bills – one by the Ministry of Labour, Employment and Social Security, the other by the Senate – which are currently in the process of being developed. Although these measures do not constitute an immediate response to the COVID-19 crisis in the short term, they are aimed at ensuring greater resilience for workers in the event of future critical situations that may arise.

4.2. Stimulating the economy and employment

Since the beginning of the pandemic, Paraguay has adopted various measures to foster economic activity and

labour demand, as well as to ensure the necessary funding.

In the tax sphere, it was agreed that the Executive should acquire a loan of up to US\$1.6 billion. The application of articles 7 (1) and (2) and articles 9 to 11 of the Fiscal Responsibility Act was suspended for the current tax year in order to be able to incur the debt and thus finance measures for tackling the crisis (Act No. 6524). In the monetary sphere, a reduction in the Central Bank of Paraguay's legal reserve, in national and foreign currency, was introduced, with a view to injecting liquidity into the monetary market to a total value of \$970 million (PNUD 2020, p.25).

On 29 June 2020, the Government submitted a revised version of the **Economic Recovery Plan**,⁶ known as “Ñapu’ã Paraguay”, which provides for a raft of new measures in addition to those already mentioned. Among the new measures being considered is the injection of an additional \$350 million from loans. The Plan is based on three main lines of action:

- a. Investment in jobs
- b. Development funding
- c. Social protection, income and intelligent integration

The Plan also includes a proposal for State structural reform aimed at reducing institutional fragmentation in order to optimize public spending, promote tax policy adjustment and revamp the civil service career.

As part of the Economic Recovery Plan, the Ministry of Labour, Employment and Social Security submitted for the consideration of the National Economic Team, headed by the Ministry of Finance, an Employment Stimulus Plan, drafted with ILO technical support, which seeks to “promote actions and policies that contribute to the economic recovery, through the promotion of active employment policies, entrepreneurship, and labour and productive reconversion, thus supporting the sustainability and generation of new jobs”. The Plan is centred on four lines of action:

- a. Support employment through measures to protect decent work
- b. Promote the creation of formal employment
- c. Increase employability within the framework of labour and productive reconversion
- d. Strengthen institutional capacity with emphasis on innovation and technology

In addition, a dedicated job agency and a specific training programme in shelters have been created to facilitate returning migrants’ inclusion in the labour market.

4.3. Supporting businesses, jobs and incomes

As in other countries of the region, providing effective support for business, jobs and incomes has been a particularly significant challenge owing to the fact that institutions have had to adapt to cope with the sheer scale of the consequences of the pandemic.

Various innovative subsidy programmes have been devised and implemented. A subsidy has been introduced for formal wage-earners who were receiving up to two minimum wages and whose contracts were suspended following the cessation of activities due to COVID-19. This is a measure without precedent in Paraguay and is aimed at mitigating the absence of unemployment insurance and contributing, in the form of a contingency, to income security. The subsidy, paid by the Social Security Institute, amounts to 50 per cent of the minimum wage and has been financed through additional funding directly from the Government to the Social Security Institute.

According to data from the Social Security Institute, the first payment of this subsidy was authorized in April 2020 and was paid to 94,835 workers, with a decreasing number of beneficiaries in the months thereafter (table 4). The fifth payment was being made from the end of September.⁷

► **Table 4. Number of beneficiaries of the subsidy paid to temporarily suspended workers**

Payment	Number of beneficiaries
1	94 835
2	79 889
3	58 972

Source: Social Security Institute (2020).

⁶ Source: <https://www.stp.gov.py/v1/gobierno-presento-plan-de-recuperacion-economica-napua-paraguay/#:-:text=Gobierno%20present%C3%B3%20plan%20de%20recuperaci%C3%B3n%20econ%C3%B3mica%20%E2%80%9C%C3%91apu%20Paraguay%E2%80%9D,-29%2F06%2F2020&text=Con%20un%20paquete%20de%20medidas,%E2%80%9C%C3%91apu%20Paraguay%E2%80%9D>

(2 July 2020)

⁷ Source: <https://portal.ips.gov.py/sistemas/ipsportal/noticia.php?cod=1204>

When it comes to informal workers, a social fund of US\$300 million was set up to provide a subsidy of 25 per cent of the minimum wage (equivalent to approximately US\$ 80), with up to two payments for workers in an informal situation who earned a living as independent workers or were dependent on a micro, small or medium-sized enterprise (Act No. 6524). As with the subsidies for formal workers, this is a completely new programme in the institutional and political context of Paraguay. The programme, entitled “**Pytyvõ**” and managed by the Ministry of Finance, has been fully implemented, reaching approximately 1.1 million accredited beneficiaries by mid-June 2020 and amounting to a total investment of US\$ 191 million.⁸ A second phase of the subsidy programme, “**Pytyvõ 2.0**”, was launched in September 2020.⁹

At the same time, other non-contributory subsidies for vulnerable groups have been put in place, such as a new programme, called “**Ñangarekó**”, which is run by the Secretariat for National Emergencies in coordination with the Cabinet Committee for Social Affairs and other bodies. This programme consists of food aid worth approximately US\$ 75 and has a total budget of US\$ 26 million. The scope and funding (through advance or additional payments) of pre-existing non-contributory social protection programmes have also been expanded. The Ministry of Social Development-run **Tekoporá** programme, which provides social and family support and cash transfers to families living in situations of poverty, increased the programme’s regular beneficiary base to exceptionally include 35,700 persons. Through the Emergency Act, this group of persons received food kits across the country.¹⁰

Regarding support for businesses, the Central Bank of Paraguay has facilitated liquidity in the financial system and implemented monetary stimuli and temporary credit measures to support economic activity. Debt rescheduling for micro, small and medium-sized enterprises more than tripled between May 2019 and May 2020 (CBP 2020d). Other measures of financial support for micro, small or medium-sized enterprises were also taken,¹¹ for which purpose financial institutions that make credit available to micro, small and medium-sized enterprises (such as the Crédito Agrícola de Habilitación agricultural loans facility

and the Development Financing Agency) were strengthened and resources were injected into the Micro, Small and Medium-sized Enterprises Guarantee Fund.

4.4. Protecting workers in the workplace

To protect workers in the workplace, there has been a move since the start of the crisis to promote teleworking and, subsequently, the “smart lockdown” to enable a gradual return to the workplace.

On the one hand, the legal establishment of teleworking arrangements for public and private organizations during the emergency (Act No. 6524, art. 20) has been regulated by Ministry of Labour, Employment and Social Security [Resolution No. 471/2020](#) of 16 March 2020, promoting the use of teleworking, and [Resolution No. 598/2020](#) of 31 March 2020, setting out employers’ obligations. Two bills – one establishing the legal regime for teleworking, the other guaranteeing the right to telecommunications for teleworking and online learning due to the COVID-19 epidemic – are also currently being considered in Congress by the Chamber of Deputies and the Senate, respectively.¹²

On the other hand, the Government of Paraguay has, through the Ministry of Health and Social Welfare, gradually and progressively implemented the “**smart lockdown**”, with the respective implementation of guidelines for the safe return to work, with a view to preparing for the resumption of labour and productive activities and ensuring a return to work in safe and healthy conditions. In light of the rise in infections, however, it has not been possible to maintain the phased approach initially envisaged for the smart lockdown, especially in the hardest-hit Departments of Asunción, Central and Alto Paraná. For this reason, various presidential decrees have been enacted to regulate the application and temporary nature of the different phases.

The Government has outlined a raft of measures for the safe return to work, under the leadership of the Ministry of Labour, Employment and Social Security’s Occupational

⁸ Source: <https://rindiendocumentas.gov.py/covid/FichaCovid> (2 July 2020).

⁹ Source: <https://www.abc.com.py/nacionales/2020/09/02/pytyvo-20-presidente-anuncia-que-hoy-se-inicia-pago-a-200000-personas/>

¹⁰ Source: Second Presidency Report to Congress (1 July 2020).

¹¹ Data largely taken from section “COVID-19 Activities” of the Second Presidency Report to Congress (1 July 2020) p. 11.

¹² Sources: <http://silpy.congreso.gov.py/descarga/expediente-135446> and <http://silpy.congreso.gov.py/descarga/expediente-134767> (29 July 2020).

Health and Safety Directorate and in coordination with the health authorities of the Ministry of Health and Social Welfare, the justice officials of the Ministry of Justice and the security forces of the Ministry of the Interior. These measures include:¹³

- Occupational health and safety protocols: Specific sectoral protocols have been defined, with technical assistance from the ILO and the World Health Organization/Pan American Health Organization.
- Standard operating procedures for work environments with a view to preventing the spread of COVID-19 in businesses, industries and venues, and protecting workers, employees and customers.
- Creation of the occupational health and safety network, with 6,568 occupational health and safety agents designated by businesses and registered with the Ministry of Labour, Employment and Social Security in order to implement “COVID-19 working arrangements”.

At the same time, **decentralized control and inspection mechanisms** have been strengthened (while the granting of inspection powers to local state entities existed before the Emergency Act, the effective use of those powers was highly sporadic prior to the pandemic). In the period between the start of the pandemic and 30 June 2020, 3,709 audits were carried out by regional directors and inspectors of the Ministry of Labour, Employment and

Social Security to verify businesses’ compliance with occupational health and safety rules. In fact, unlike in other countries where labour inspections have been reduced as a result of the health crisis, a significant increase in labour inspections has been observed in Paraguay.

4.5. Seeking solutions through social dialogue

With regard to social dialogue between the Government, workers’ representatives and employers’ representatives, the Tripartite Advisory Board headed by the Ministry of Labour, Employment and Social Security has met on several occasions since the start of the pandemic.

Social dialogue has not been without its challenges, including when it comes to ensuring the participation of all the most representative trade unions and employers’ organizations in order to give legitimacy and social sustainability to consensus and agreements on labour matters. In the context of the pandemic, this also involves holding dialogue in non-traditional, often virtual, formats. The issue of State reform has also figured in the debates and views of social actors because of the diverse implications it holds for the future of institutions and labour relations.¹⁴

► Conclusions

The COVID-19 crisis has had an enormous impact on labour in Paraguay due to the demand and supply shocks caused by the early, strict confinement and other restrictions on mobility. The weakness of labour institutions has imposed additional challenges.

In comparison with other countries in the region, Paraguay’s initially successful virus containment strategy has made it possible for a gradual resumption of diverse economic activities and a cautious return to the workplace. These achievements are somewhat shaky owing to the fact that, like in other countries, the easing of containment measures has coincided with a rise in the

infection rate, which puts at risk a more sustained employment revival.

The public policy response to the crisis has included innovative measures in the institutional context of Paraguay, such as subsidies for formal and informal workers alike, with relatively positive results with regard to containing the social crisis, governance, the legitimacy of the Government, the prospects for economic recovery, institutional learning and the drive towards the modernization and digitalization of public administration. The lack of complete and reliable databases of potential beneficiaries, the high proportion of informality and the pre-existing weaknesses in public services have made it

¹³ <https://www.mtess.gov.py/noticias/el-presidente-de-la-republica-presento-segundo-informe-de-gestion> (8 July 2020).

¹⁴ <http://ricg.org/es/novedades/conozca-el-observatorio-regional-de-precios-de-medicamentos-orpm-unops/> y <https://www.ip.gov.py/ip/naciones-unidas-lanza-plataforma-virtual-observatorio-regional-de-precios-de-medicamentos-contra-covid-19/>

difficult to ensure that benefits reach all persons in situations of vulnerability.

Professional training institutions, which are key to the short-term response and the medium- and long-term economic recovery strategy, made numerous efforts to strengthen online training and should continue to modernize their training programmes to meet the needs of the labour market, which is itself undergoing a transformation due to the increased use of information technologies and other changes in how production is organized.

With international cooperation, the Government also made remarkable efforts to improve transparency in public-sector activities. These advances need to be continued and supplemented with actions that allow for further improvements in the efficiency and transparency of institutions when it comes to the use of emergency funds.

A significant achievement as a result of the measures adopted is the generation and use of data from administrative records to analyse and design public policies relating to labour matters. In particular, data on work contract suspensions, and on notifications of new hires and separations through the Ministry of Labour, Employment and Social Security, constitute an impressive step forward in Paraguay and an opportunity to generate data for a more in-depth analysis of the labour market. This exercise highlighted major challenges, such as the need for integration of the various databases (in order to find out if the expiration of contract suspensions actually led to a return to work, for example) and the general application of classifications (for example, a sectoral

disaggregation of suspended contracts was analysed up to 29 April, but not for suspensions occurring after that date). Regarding the availability of statistical data to estimate the impact of the crisis, Paraguay, like other countries in the Region, has made methodological adjustments in order to move towards the collection by telephone of responses to the Continuous Permanent Household Survey. In this context, the provision of support to the Department of Statistics, Surveys and Censuses and the Labour Observatory of the Ministry of Labour, Employment and Social Security is an integral part of the ILO's work in Paraguay.

Other milestones worth highlighting in the case of Paraguay underscore a certain capacity for turning the crisis into an opportunity. The preparation of new bills (like the bill on unemployment insurance), the progress made towards ratification of the Social Security (Minimum Standards) Convention, 1952 (No. 102), and the strengthening of labour inspection practices as a prerequisite for the resumption of production and employment under conditions of health and safety for workers are positive examples of developments of great potential.

In addition to the danger of an uncontrollable increase in infections, there are other institutional, social and macroeconomic risks that could have a significant impact on the labour market. For this reason, continuing to deepen and broaden spaces for social dialogue may be a useful way of expanding the consensus base in order to continue mitigating the effects of the crisis and establishing the basis for a sustainable and healthy recovery.

Contact details

International Labour Organization
Route des Morillons 4
CH-1211 Geneva 22
Switzerland

Employment, Labour Markets and Youth
Branch
E: emplab@ilo.org