



International
Labour
Organization

#MyFutureOfWork

Technical note

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

Employment and informality in Latin America and the Caribbean: an insufficient and unequal recovery

Roxana Maurizio

September, 2021

Summary

A year and a half on from the start of the COVID-19 pandemic, the economic, labour, health and social crisis has exacerbated the significant deficits in decent work and the high levels of pre-existing inequality in Latin America and the Caribbean. The region is one of the most affected worldwide. This has been evident in a previously unseen reduction in the level of economic activity and in employment, in a marked deterioration of the productive capacity and closure of enterprises, in a significant contraction in average income and increases in inequality and poverty. Women, young people, migrants, small- and medium-sized enterprises, and workers with lower qualifications have seen the effects of the crisis most intensely. In contrast to previous crises, the rate of informality dropped during the most critical period. However, in 2021, it is the informal occupations that are leading the partial recovery in employment. The close link between informal labour, low income and inequality has been even more obvious in this context. Given this scenario, the region needs to adopt an agenda of comprehensive, consensual and wide-ranging human-centred policies, to support the creation of formal employment, protect the micro- and small enterprises, and support the income of workers and families in vulnerable conditions. Otherwise, the impacts of the crisis will be prolonged and will leave deep, long-term social and labour scars in the region.

* This report was completed with the remarkable collaboration and contributions of Luis Beccaria, Osvaldo Kacef, Ana Paula Monsalvo, Silvana Martinez, Sol Catania, Bolivar Pino and the team of the Information and Labor Analysis System for Latin America and the Caribbean (SIALC). Valuable comments were received from Fabio Bertranou, Andrés Marinakis, Janine Berg, ACTEMP team, Gerhard Reinecke, Jacobo Velasco, Aguinaldo Maciente, Claudio Maggi, Marcela Cabezas, Diego Rei and Bárbara Perrot.



Contents

| | |
|--|-----------|
| Executive summary | 3 |
| 1. Evolution and economic outlooks for Latin America and the Caribbean: Going through an unprecedented crisis | 8 |
| 2. The dynamics of the labour market: partial and uneven recovery one year on from the historic contraction in employment | 12 |
| 2.1 The change in aggregate employment and the new adjustments in the labour markets in the region | 12 |
| 2.2 Hours worked as a global indicator of the impacts of the crisis on the labour markets in the region | 23 |
| 2.3 The widening and persistence of the gender labour gap | 24 |
| 2.4 Young people and less-qualified workers particularly hard hit by the crisis | 28 |
| 3. Labour informality: A distinctive feature of the recovery of employment | 29 |
| 3.1 The formalization process stalled before the outbreak of the pandemic | 29 |
| 3.2 The destruction of formal employment in the context of the pandemic | 30 |
| 3.3 The traditional adjustment mechanism weakened: the greater contraction of informal jobs | 35 |
| 3.4 The combination of informality and gender: informal women saw more marked job losses | 40 |
| 3.5 The partial recovery of employment led by informal jobs | 40 |
| 4. The evolution of average income and unequalizing impacts | 41 |
| 4.1 The contraction of real average work income and the “composition effect” | 41 |
| 4.2 The reduction in the mass of labour income, particularly among the informal employed | 43 |
| 4.3 The unequalizing impacts of the crisis on labour and total family income | 44 |
| 5. Final thoughts | 48 |
| Bibliography | 50 |



IN 2021

it is the **INFORMAL OCCUPATIONS** that are leading the partial recovery in employment



Executive summary

- ▶ The economic recovery of recent months is not yet fully reflected in the labour markets in Latin America and the Caribbean. Even in the countries where the level of activity has been greater, employment shows a lag in comparison to pre-pandemic levels.
- ▶ The dynamics seen in formal and informal employment differ from those seen in previous economic crises. Frequently, when formal employment falls, informal employment has a countercyclical role and its level increases. However, in this crisis both formal and informal employment saw pronounced contraction, the latter more intense than the former.
- ▶ The partial recovery of employment has been led by growth of informal employment. These jobs have accounted for around 70 per cent or more of the net creation of jobs in several countries in the region.
- ▶ Given that, in addition to informal workers, it is women, young people and those with lower qualifications who have been disproportionately affected by the contraction in employment and income, the unequalizing impacts and impacts on poverty of the crisis are seen more strongly in the region.
- ▶ Given this scenario, what is needed even more than in the past is to adopt an agenda of comprehensive, consensual and wide-ranging human-centred policies, to support the creation of more formal employment, protect the micro- and small enterprises, and guarantee the income and social protection of workers and families in vulnerable conditions.
Otherwise, the impacts of the crisis will be prolonged and will leave deep, long-term social and labour scars in the region.

Economic and labour context

- ▶ In 2020, Latin America and the Caribbean saw a contraction in level of economic activity in the order of -7 per cent. This fall is more than double that of the world as a whole and is the largest of all the regions.

- The vast majority of productive sectors dominated by small- and medium-sized enterprises strongly felt the impacts of the crisis. According to ECLAC, no fewer than two million micro- and small enterprises in the region have closed their doors for ever.
 - The drastic reduction in level of activity had an impact on employment with an intensity that is also unprecedented in the region. The employment rate in 2020 dropped 10 per cent in comparison to the previous year, a more pronounced drop than that of the PIB, which implies an extremely high employment-output elasticity of nearly 1.5.
- 

In 2020, Latin America and the Caribbean saw a contraction in level of economic activity in the order of -7 per cent. This fall is more than double that of the world as a whole and is the largest of all the regions.
- Over 26 million people in the region lost their jobs during 2020.
 - The drop in the number of people employed at the beginning of the economic crisis underestimates its impacts inasmuch as there was concurrently a drop in the number of hours worked by those who remained employed. In some countries in the region, the reduction in hours is double or triple the drop in employment.
 - Latin America and the Caribbean has been the region with the greatest reduction in hours of work around the world, with an estimated loss of the order of 16.2 per cent during 2020 in comparison to 2019. This figure is almost double the global estimate of 8.8 per cent.
 - The negative impacts of the crisis in the region have been significantly greater among women than among men. This was seen, among other indicators, in a greater reduction in female employment (18 per cent) than in male employment (14 per cent) between the first and second quarter of 2020.
 - The overview is more complex when age is taken into account alongside gender since it is young women who have experienced the greatest reduction in employment in this crisis.
 - Frequently, when formal employment falls, informal employment has a countercyclical role and its level increases. However, in this crisis both formal and informal employment saw pronounced contraction, the latter more intense than the former. Thus, the “traditional mechanism” was greatly weakened in this situation.
 - There are a number of factors that can explain this behaviour. On the one hand, there is the higher rate of informality in some productive sectors that had to stop their activities since they were not included among the essential sectors. Then there is the greater ease of putting an end to an informal salaried relationship and the greater occurrence of this type of occupation in smaller enterprises, which find it more difficult to manage long periods without activity.
 - Further, a significant proportion of independent workers were not included in the exceptions to social distancing and reduced mobility; at the same time, a high proportion of them are self-employed and do not work at home, and for them the possibility of teleworking was limited.
 - In terms of formal employment, the greater stability seen in comparison to informal employment would seem to indicate the expectation on the part of employers that the contraction episode would be relatively transitory. Enterprises also used strategies such as a shorter working day, suspensions or teleworking which enabled continuity of employment in formal positions. Lastly, the measures to support formal employment are a further factor in explaining these divergent dynamics.



#MyFutureOfWork

- ▶ The intense reduction in informal employment meant that the rate of informality fell (temporarily) in the context of the generalized collapse of demand for employment, particularly in the early months of the pandemic.
- ▶ The loss of informal jobs was even more marked for women than for men, due in part to a marked contraction of employment in certain sectors that were hard hit by the crisis (tourism, domestic service), which combine a high rate of informality with feminization of the jobs.
- ▶ The greater exit rates from informal employment led to greater withdrawals from the labour force.

Frequently, when formal employment falls, informal employment has a countercyclical role and its level increases.

However, in this crisis both formal and informal employment saw pronounced contraction, the latter more intense than the former.



- In addition to the loss of employment and reduction in hours worked, those who continued working after the outbreak of the pandemic experienced, on average, a reduction in their real income between the first and the second quarter of 2020.
- The combination of loss of employment and income from work led to abrupt contraction in the mass of per capita income from work between the fourth quarter of 2019 and the second of 2020. The drop was in order of 20 per cent, in some cases reaching 65 per cent.

High unemployment and recovery with informality

- The overview is even more complex when observing the low dynamism of employment during the months of 2021 so far.
- The new waves of contagion and the measures to contain them, the uncertainty with regard to macroeconomic and sector recovery, and the complex situation faced by a significant set of enterprises, particularly smaller ones, are factors linked to the weak demand for work during the first semester of 2021 in the region.
- Between the first quarter of 2020 and that of 2021 there is an average reduction for the region of 3.5 percentage points in employment rate, and a contraction of 2.6 percentage points in the economic participation rate. There is also a rise of 2 percentage points in the unemployment rate.



The partial recovery of jobs has been led primarily by a greater stability in existing jobs rather than by acceleration in the creation of new jobs.

Further, this process has been almost completely driven by the growth in informal employment.

- In the first quarter of 2021, the economic participation rate was 59 per cent, the employment rate was 52.6 per cent and the unemployment rate was 11 per cent.
- Although hours worked grew at a greater rate than employment from mid-2020, both indicators contracted in comparison to the situation before the pandemic.
- The partial recovery of jobs has been led primarily by a greater stability in existing jobs rather than by acceleration in the creation of new jobs.
- Further, this process has been almost completely driven by the growth in informal employment.
- Since mid-2020, these jobs have accounted for about 70 per cent or more of the net creation of work in Argentina, Brazil, Costa Rica, Mexico, Paraguay and Peru. Although the percentage is somewhat lower in Chile, about one in every two new jobs has been informal.
- The stronger recovery of informal positions has meant that the rate of informality in the first quarter of 2021 has been similar to or, in some countries, higher than that seen before the pandemic.
- In the first quarter of 2021, about 76 per cent of independent workers and somewhat more than a third of salaried workers were informal.
- Although it is premature to state that there is a process of informalization of previously formal employment, taking into account the experience of previous crises, this is a significant latent risk.
- The probability rises if not enough formal jobs are generated in relation to the return to the labour force of those who are still outside it. Further, in contexts of a strong contraction in income in the home, other members may enter the labour market for the first time in an attempt to compensate, at least partially, the loss of total family monetary resources.

- Although greater economic dynamism is expected in the second half of 2021 – conditional on the speed of the vaccination process and the control of new variants of the virus –, the outlooks for 2021 report economic growth for the region of the order of 5.9 per cent (according to ECLAC), placing regional GDP at a lower level than in 2019.
- In this context, the unemployment rate will continue to be a critical variable at least in the medium term. Further, the effect of “additional worker” could appear in this situation, adding a flow of new people who enter the economically active population because they need to generate income; this could lead to an increase in the number of the unemployed.
- These impacts on average family income and on inequality are thus not only significant setbacks in living conditions but also require, even more than in the past, the implementation and strengthening of policies to support and create more and better jobs, and strategies to guarantee income to the population as a whole, particularly those who have the greatest difficulties in the labour market.
- Informal workers, micro- and small enterprises, women and young people – particularly those with low qualifications for work –, and other population groups in vulnerable situations, are groups that require coordinated interventions of a different nature, comprehensive and meeting the specifics of their labour issues.
- In addition, the creation of more and better jobs should be linked to strategies that support the reconstruction of the production apparatus. Given that the pandemic has exacerbated the significant previous labour and social deficits, the policy measures should be designed so that their objectives go far beyond recovering the ground lost in this crisis.



Although it is premature to state that there is a process of informalization of previously formal employment, taking into account the experience of previous crises, this is a significant latent risk.



1. Evolution and economic outlooks for Latin America and the Caribbean: Going through an unprecedented crisis¹

The COVID-19 pandemic has caused an economic recession of unprecedented magnitude and duration in Latin America and the Caribbean. **The year 2020 saw a contraction in level of activity of around -6.8 percent, according to the Economic Commission for Latin America and the Caribbean (ECLAC), and of -7 per cent, according to International Monetary Fund (IMF) estimates.** This generalized drop in the level of activity was seen despite the positive impact of public policies to maintain income implemented in most of the economies in the region.

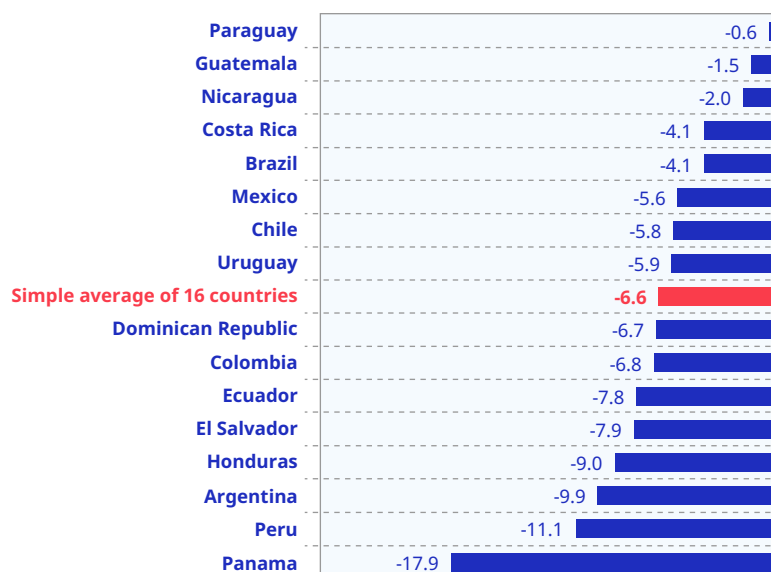
ECLAC has stated that **this is the greatest economic crisis that Latin America and the Caribbean as a whole have experienced in their history since statistical records began in the early twentieth century.** During the so-called “debt crisis”, the Gross Domestic Product (GDP) of the region contracted -2.6 per cent in 1983, while the fall in GDP due to international financial turbulence in 2009 was -1.8 per cent.

At the same time, the drop in aggregate production in the region in 2020 was very intense in comparison to other regions, more than doubling the drop recorded for the world as a whole (-3.2 per cent), and is the largest of all the regions, greater even than the fall in the Eurozone economies (-6.5 per cent).

In Latin America specifically, taking the 16 countries that have so far published their annual closure, the average reduction in GDP was -6.6 per cent. Behind this value is a wide range between countries, with relatively minor drops such as those in Paraguay, Guatemala and Nicaragua, and at the other extreme, significant contractions such as those seen in Honduras, Argentina, Peru and Panama.

¹ This section was written based on Kacef (2021).

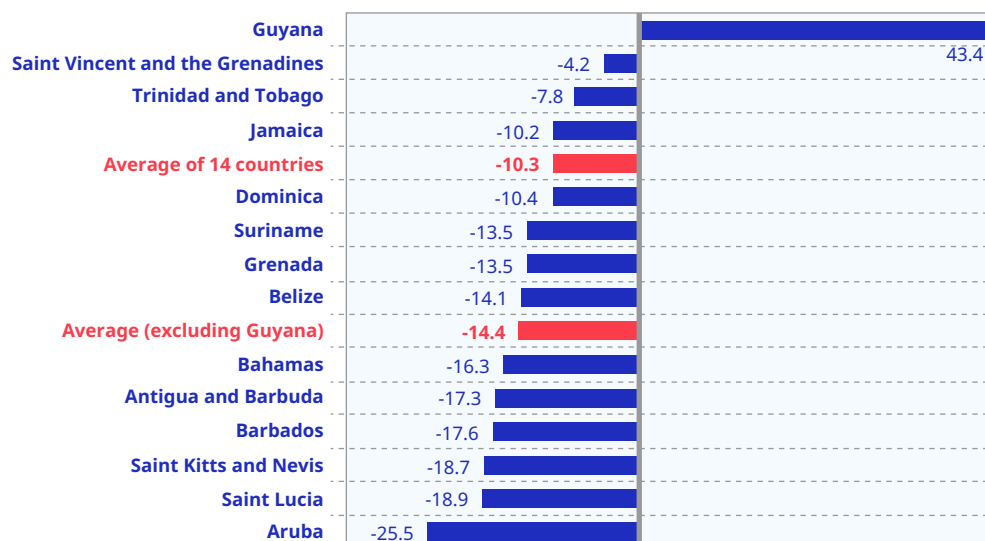
► **Figure 1.** Variation in Gross Domestic Product in countries in Latin America (%), 2020



Source: Author's own based on official figures.

In the Caribbean, with the exception of Guyana that had the impulse of the beginning of oil activity and grew 43.4 per cent (according to the IMF estimate), the other economies also saw significant drops, particularly those that depend almost exclusively on tourist activity.

► **Figure 2.** Variation in Gross Domestic Product in Caribbean countries (%), 2020



Source: IMF.

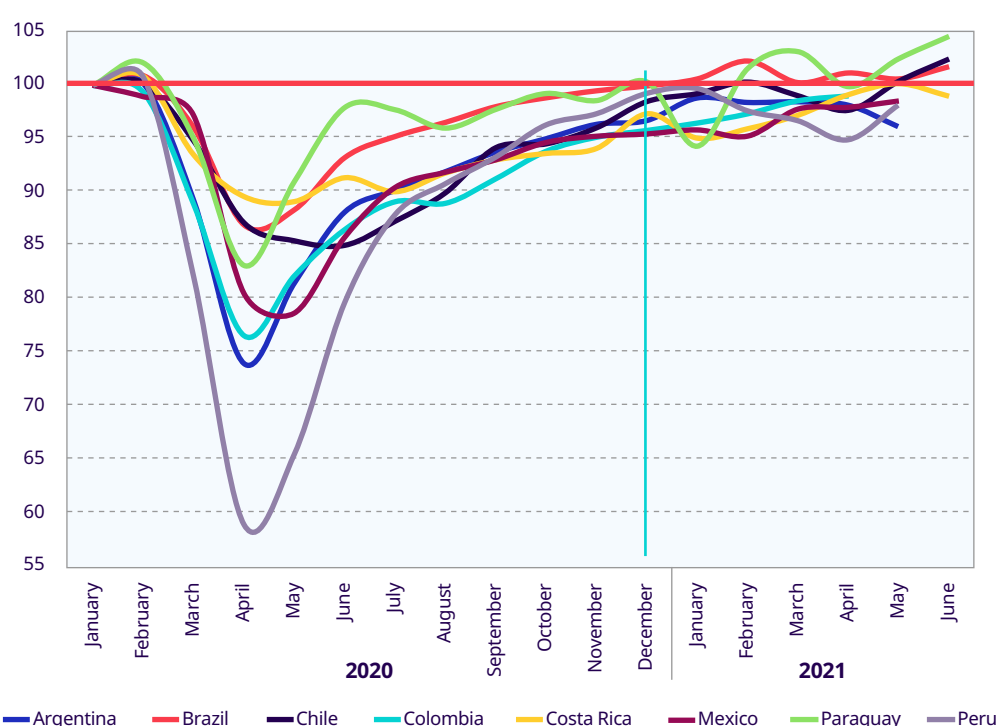
The strong contraction in the level of economic activity in the region reflects the great deterioration of the production apparatus and the closure of a large number of enterprises in the region, particularly those of smaller size. According to ECLAC (2020), no fewer than two million micro- and small enterprises in the region have closed their doors for ever.

Given the way in which the pandemic grew between different continents and countries, the most significant effects on the level of activity in Latin America and the Caribbean were seen in the second quarter of 2020, primarily the months of April and May. The fall in production in those months reached 25

per cent or even 40 per cent (Figure 3). As will be seen later, this strongly determined the dynamics of the labour market indicators in the countries in the region.

The evolution of employment and income of the different groups of workers has not, however, been affected only by the magnitude of the contraction of aggregate activity. The measures that governments took to try to control the expansion of infections also affected the different productive sectors differently, and thus induced changes in the composition of the internal supply of goods and services, as well as differing impacts on employment in different sectors.

► **Figure 3.** Evolution of the level of economic activity. Selected countries in Latin America. January 2020 – June 2021. Index January 2020=100



Source: Author's own based on official figures.

In general terms, when analyzing the composition of the domestic value added, it can be seen that in 2019 and 2020, in nine of the 14 countries in Latin America for which the information is available, the participation of production of goods increased while that of production of services decreased. This number rises to 12 (of the 14) if we exclude construction from the group of activities of production of goods since it was severely affected by the isolation measures and restriction on physical mobility.

It is also possible to identify in a set of countries in Latin America an increase in the participation of the agriculture and livestock sector in generating domestic value added. The characteristics of agriculture and livestock activity meant that in general it was protected from the isolation measures, and therefore this sector contracted far less than the average for the economy or even grew slightly throughout 2020. Conversely, there was a strong decrease in the participation of sectors that produce services characterized by close contact between people, such as accommodation, restaurants and personal services. The participation of the sector that produces transport, storage and communications also decreased.

The participation of financial activities and services to companies increased in nearly all the cases analyzed given that these activities were not significantly affected by the restriction measures. The

same was true for the civil service and educational services. The possibility of changing the way in which these services are delivered by implementing or increasing work from home enabled these activities to continue despite the restrictions. Finally, for obvious reasons, the participation of health services increased.

An important aspect of the different intensity in which the various sectors were affected relates to the impact on aggregate and, of course, sector employment. **The greater average fall seen in construction and those services that are characterized by the need for close contact between people – which include tourism and domestic service – had a significant contraction effect since these sectors have a relatively more intensive use of labour.**

Further, **the fact that these are activities that employ proportionally more people who are in the lower strata of the income distribution partially accounts for the significant deterioration in distribution related to this crisis. This aspect will be analyzed in detail later.**

In addition, the analysis of the change in the components of aggregate demand in the economies of Latin America for which data is available enables the identification of some regularities that also contribute to understanding the strong impact of the crisis on the labour and social indicators in the region.

In all cases there was a drop in family consumption which, in most South American economies, was even greater than the drop in GDP. This may indirectly indicate the impact of the deterioration in income distribution associated with the greater loss of jobs and employment income on the lower part of the salary scale.

With the exception of Nicaragua and Paraguay, the rest of the economies analyzed also showed a contraction in the formation of capital. In many cases this was more intense than the fall in GDP, which may condition future growth in a general context in which the rate of investment was already relatively low in relation to what the economies in the region would need in order to maintain a rate of growth that would enable the generation of quality jobs. While in the economies of the Southern Cone (with the exception of Uruguay) and Mexico net exports made a positive contribution to growth, in Central America the situation was the reverse and net exports were the main contraction factor.

Finally, as Figure 3 shows, in December 2020 a significant set of countries had not yet recovered the levels of pre-pandemic economic activity. During the first months of 2021 there was some stagnation in the process of economic recovery, strongly influenced by the new waves of contagion in the face of an insufficient rate of vaccination. In some countries however, there is an improvement in the level of activity in the most recent months and a change of this sort in the second half of the year is to be hoped for. **The economic outlooks for 2021 show an economic growth for the region of the order of 5.9 per cent (according to ECLAC)² which, however, still puts regional GDP at a lower level than in 2019.**

² The IMF estimate is 5.8 per cent.

2. The dynamics of the labour market: partial and uneven recovery one year on from the historic contraction in employment

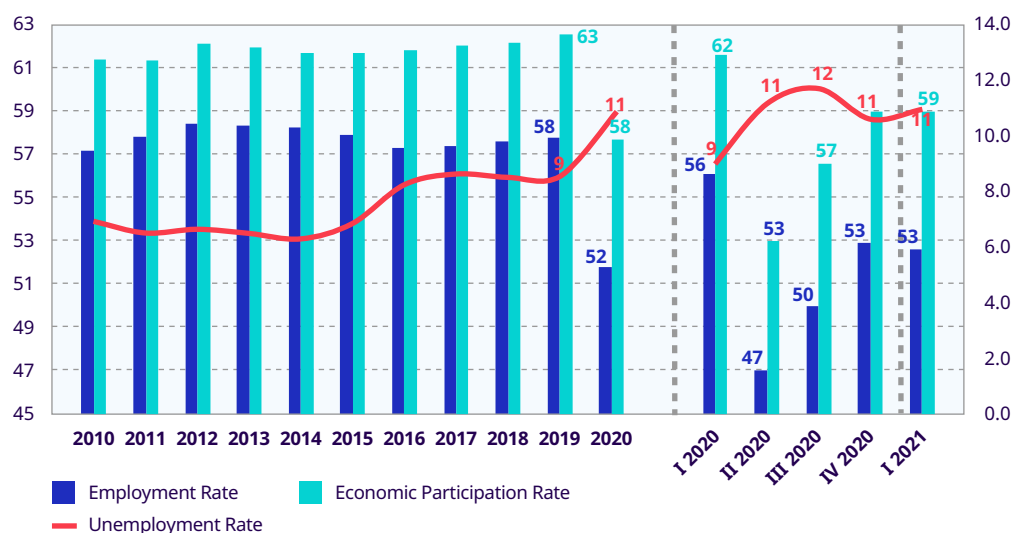
2.1 The change in aggregate employment and the new adjustments in the labour markets in the region

The stated drastic reduction in level of economic activity had an impact on employment with an intensity that is also unprecedented in the region. **The employment rate in 2020 dropped 10 per cent in comparison to the previous year (Figure 4), a larger drop than that of the GDP (6.8 per cent), which implies an extremely high employment-output elasticity of nearly 1.5.** That is, for every point in contraction of the level of economic activity, employment contracted nearly 50 per cent more, which is evidence of a strong employment response in this economic crisis.

Similarly, the employment rate value of **51.8 per cent in 2020 is a minimum historical value for the region as a whole. Around 26 million people lost their jobs during 2020.**³

This very severe decrease in aggregate employment and its great magnitude with regard to the level of activity arises from the particular and exceptional characteristics of the recession experienced in the region. The pandemic and the restrictions imposed that limited or prevented the continuation of certain economic activities or jobs generated a series of previously unseen responses (that will be analyzed later) and account for said behaviour.

► **Figure 4.** Change in employment rate, unemployment rate and rate of participation in the labour force. Latin America and the Caribbean (13 countries). 2010-2020



Source: Author's own based on SIALC/ILO.

Linked to that, and consistent with the change in level of activity shown in the previous section, given the manner and speed with which the virus spread in Latin America and the Caribbean, the most significant effects on level of employment were seen in the second quarter of 2020, particularly during the months of April and May, though in several countries the contraction in the volume of employment continued for a few more months (Figure 5).

³ The estimate of absolute values presented is based on demographic projections made by the Latin American Demographic Centre (CELADE).

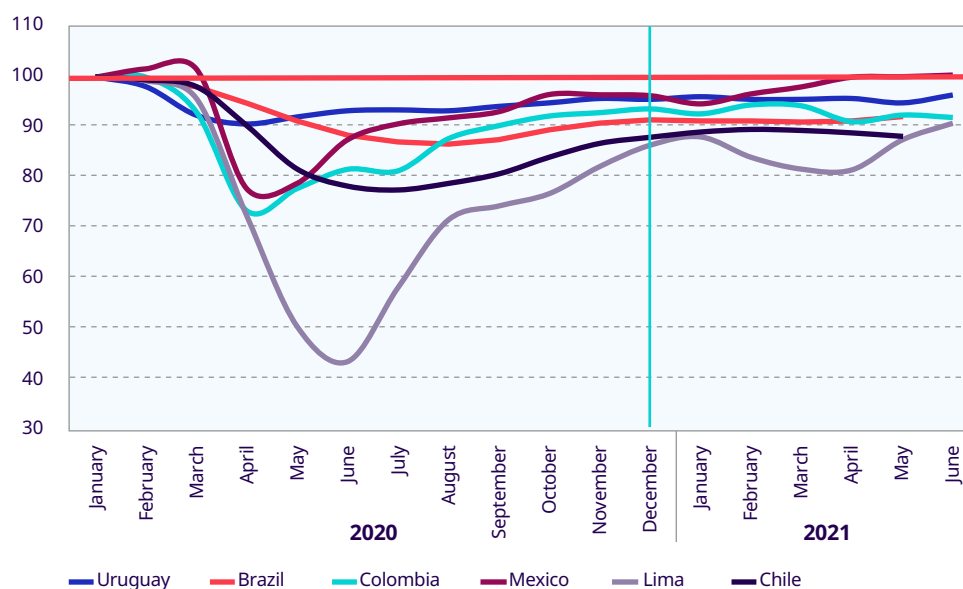
The average employment rate at regional level contracted abruptly in that quarter in comparison to the previous one,⁴ at around 16 per cent. Subsequently, this indicator recorded a rise of three percentage points (about 6.5 per cent) in the third quarter and 2.8 percentage points (5.5 per cent) in the fourth quarter, though these increases did not fully compensate for the initial strong decrease in employment (Figure 4).

In December 2020, in the countries for which there is data on monthly change in employment, the employment level was between four and 14 per cent lower than at the beginning of the year (Figure 5).

The overview is even more complex when observing the low dynamism of this indicator during the months of 2021 so far, in line with the aforementioned behaviour of the level of economic activity. The new waves of contagion and the measures to contain them, the uncertainty with regard to macroeconomic and sector evolution, the greater reaction of hours of work in comparison to creation of jobs, and the complex situation faced by a significant set of enterprises, particularly smaller ones, are factors linked to the weak demand for work during the first semester of 2021 in the region.

When comparing the change in total volume of jobs from the beginning of the pandemic (first quarter 2020) and up to the first quarter of 2021, it is possible to measure the magnitude of two opposing behaviours: **reduction in employment between the first and second quarter of 2020 of around 43 million jobs, and the subsequent recovery of around 29 million from that moment until the first quarter of 2021. Thus, the increase in employment during the second phase was not able to fully compensate for the previous loss. By the first quarter of 2021, about 70 per cent of the jobs lost during the first half of 2020 had been recovered.**

► **Figure 5.** Change in level of employment. Selected countries in Latin America. January 2020 – June 2021. Index January 2020=100

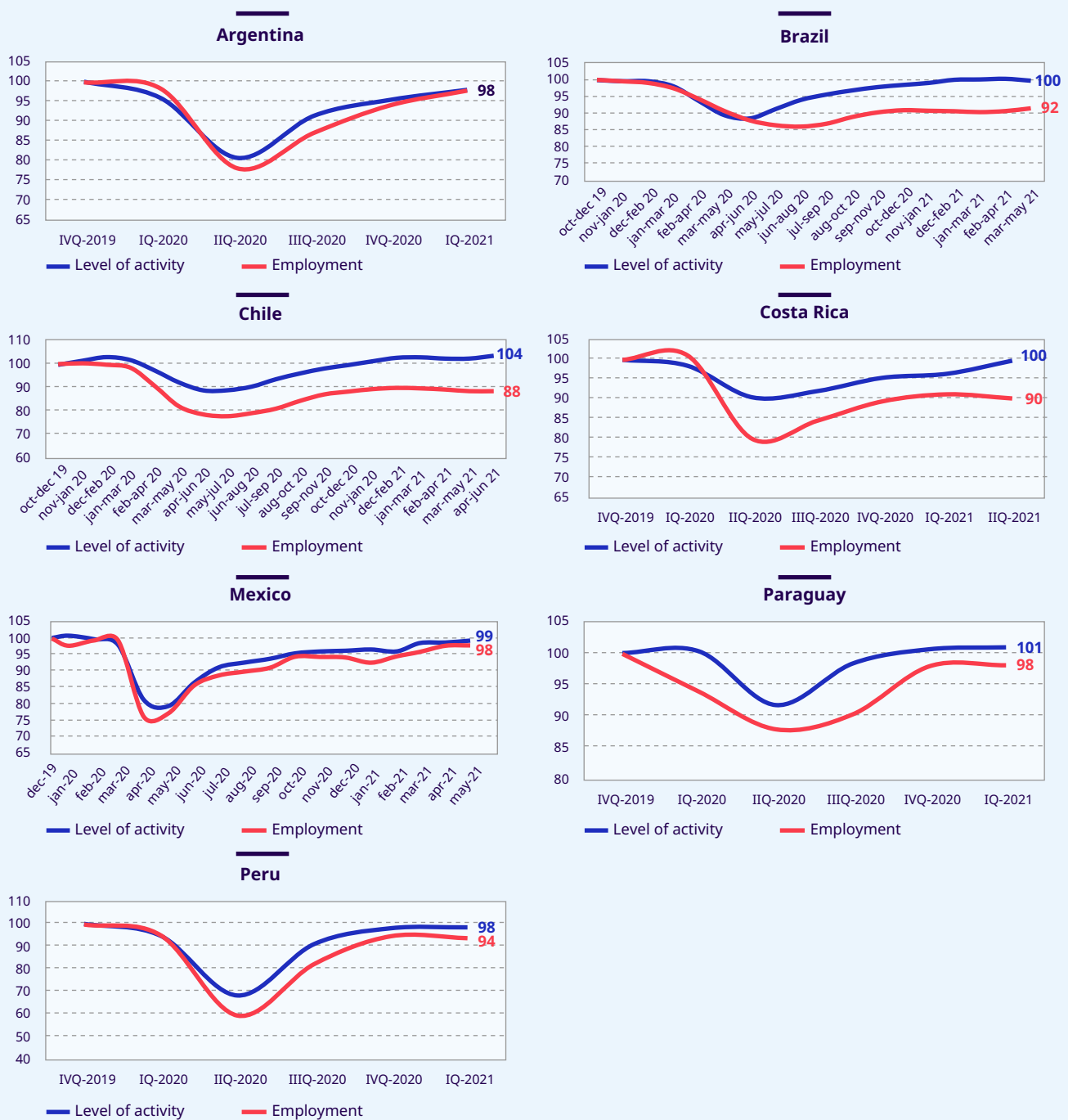


Source: Author's own based on home surveys and employment surveys.

⁴ Although the comparison between the two quarters may be affected by seasonality, it is used to be able to observe the short-term impacts of the economic crisis in greater detail.

The greater contraction in employment in relation to level of activity recorded at regional level is also seen at an individual level in the countries included in Figure 6. However, the gap in behaviour has been dissimilar. The lag in level of employment in comparison to level of production nevertheless continues to be significant in several of these countries.

► **Figure 6.** Change in the level of economic activity and employment. Selected countries in Latin America. End 2019 – most recent available data 2021



Source: Author's own based on home surveys and employment surveys.



International
Labour
Organization

#MyFutureOfWork

In contrast to previous crises, the rate of informality dropped during the most critical period.

However, in 2021, it is the informal occupations that are leading the partial recovery in employment. The close link between informal labour, low income and inequality has been even more obvious in this context.



In addition to the unprecedented magnitude of the macroeconomic shock and the high employment-output elasticity, as has already been documented in previous reports (ILO 2020a, 2021a), the adjustments in the labour market in this crisis have differed significantly from those in previous crises in the region.

In particular, the drastic contraction in the volume of employment during the second quarter of 2020 generated transitions towards unemployment, but there were primarily exits from the labour force.⁵ That was a consequence both of the lockdown and social distancing measures and of the unfavourable expectations of the possibilities of finding work in that context; these factors reduced the incentive of those who lost their jobs to look for work opportunities. These exits from the labour force strongly moderated the impact of the loss of jobs on the unemployment rate. As can be seen in Figure 4, the labour force participation rate fell nine percentage points, while the unemployment rate rose rather more than two percentage points, between the first and second quarters of 2020.



In particular, the drastic contraction in the volume of employment during the second quarter of 2020 generated transitions towards unemployment, but there were primarily exits from the labour force. That was a consequence both of the lockdown and social distancing measures and of the unfavourable expectations of the possibilities of finding work in that context [...].

The transition matrices shown in Table 1 enable observation of these different adjustments by comparing the intensity of labour flows before the outbreak of the pandemic (I2019-II2019) and during the period when the impacts on the labour market were most intense (I2020-II2020).⁶ It presents the percentage of people of working age (15 years old and over) in a given work status (employed, unemployed or outside the labour force) at two moments in time. This data is obtained for six countries in the region for which it is possible to construct short panel data based on their home surveys or employment surveys. (For further detail, see Box I).⁷

Specifically, these matrices were estimated for the first and second quarters in 2019 and the same quarters in 2020. The difference between the two results was then calculated in order to observe the changes in intensity and the direction of labour flows that occurred in the context of the pandemic.⁸

5 Given the different treatment the national statistics offices in the region have given to the employed who are temporarily absent from their work, the series presented here are not always strictly comparable between countries. They do, however, represent a very good approximation of the trajectories of these variables during the period under analysis.

6 The dynamic panel data analysis is based on Monsalvo (2021).

7 Soares and Berg (2021) and Chacaltana et al. (2021) also use this type of dynamic information to analyze labour flows in the context of the pandemic in Latin America.

8 The percentages on the diagonal of these matrices indicate the rate of retention or remaining in the initial state; that is, the percentage of people who remained employed, unemployed or out of the workforce during two consecutive quarters (Argentina, Brazil, Costa Rica and Mexico) or in the same quarter in two consecutive years (Paraguay and Peru). Conversely, the values outside the diagonal indicate the transitions between these three labour states during the same time period.

► **Table 1.** Matrices of transition between different employment statuses. Selected countries in Latin America, 2019-2020 (% of population of working age)

| | I19-II19 | | | | I20-II20 | | | | Difference (pp) | | | |
|---------------------|----------|------------|---------------------|-------|----------|------------|---------------------|-------|-----------------|------------|---------------------|-------|
| | Employed | Unemployed | Out of Labour Force | Total | Employed | Unemployed | Out of Labour Force | Total | Employed | Unemployed | Out of Labour Force | Total |
| Argentina | | | | | | | | | | | | |
| Employed | 48 | 2 | 4 | 54 | 41 | 3 | 10 | 54 | -7 | 1 | 7 | 1 |
| Unemployed | 2 | 2 | 1 | 6 | 1 | 2 | 3 | 6 | -1 | -1 | 2 | 0 |
| Out of Labour Force | 4 | 2 | 35 | 40 | 2 | 1 | 36 | 40 | -2 | -1 | 2 | -1 |
| Total | 54 | 6 | 40 | 100 | 44 | 6 | 50 | 100 | -10 | 0 | 10 | 0 |
| Brazil | | | | | | | | | | | | |
| Employed | 50 | 2 | 3 | 55 | 48 | 2 | 5 | 55 | -1 | 0 | 2 | 0 |
| Unemployed | 2 | 3 | 2 | 8 | 1 | 4 | 2 | 7 | -1 | 1 | 0 | 0 |
| Out of Labour Force | 4 | 2 | 32 | 38 | 1 | 1 | 36 | 38 | -2 | -1 | 3 | 0 |
| Total | 55 | 7 | 37 | 100 | 50 | 7 | 42 | 100 | -5 | 0 | 5 | 0 |
| Costa Rica | | | | | | | | | | | | |
| Employed | 49 | 2 | 4 | 55 | 40 | 8 | 6 | 54 | -9 | 6 | 3 | -1 |
| Unemployed | 3 | 3 | 2 | 7 | 1 | 3 | 3 | 8 | -1 | 1 | 1 | 1 |
| Out of Labour Force | 3 | 3 | 32 | 38 | 2 | 2 | 34 | 38 | -1 | 0 | 1 | 0 |
| Total | 55 | 7 | 38 | 100 | 43 | 14 | 43 | 100 | -12 | 7 | 5 | 0 |

► Continues...

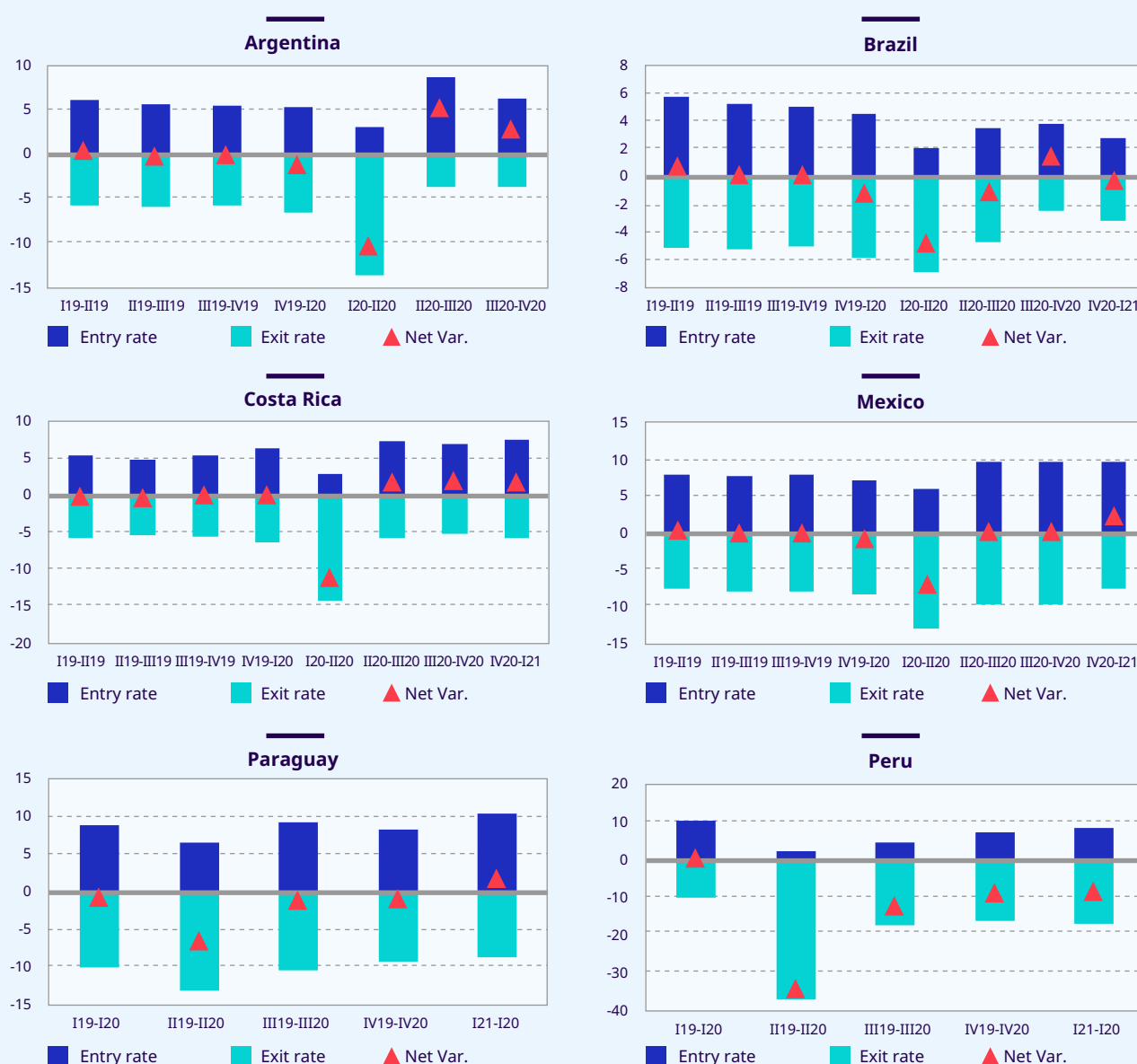
| | I19-II19 | | | | I20-II20 | | | | Difference (pp) | | | |
|---------------------|----------|------------|---------------------|-------|----------|------------|---------------------|-------|-----------------|------------|---------------------|-------|
| | Employed | Unemployed | Out of Labour Force | Total | Employed | Unemployed | Out of Labour Force | Total | Employed | Unemployed | Out of Labour Force | Total |
| Mexico | | | | | | | | | | | | |
| Employed | 50 | 1 | 6 | 57 | 46 | 1 | 12 | 59 | -4 | 0 | 5 | 2 |
| Unemployed | 1 | 0 | 1 | 2 | 1 | 0 | 1 | 2 | 0 | 0 | 0 | 0 |
| Out of Labour Force | 7 | 1 | 33 | 41 | 5 | 0 | 34 | 39 | -2 | 0 | 0 | -1 |
| Total | 58 | 2 | 40 | 100 | 52 | 2 | 46 | 100 | -5 | 0 | 5 | 0 |
| Paraguay | | | | | | | | | | | | |
| Employed | 58 | 3 | 7 | 68 | 56 | 3 | 10 | 69 | -2 | 1 | 2 | 2 |
| Unemployed | 3 | 1 | 1 | 5 | 2 | 1 | 1 | 4 | -1 | 0 | 0 | -1 |
| Out of Labour Force | 6 | 2 | 19 | 27 | 5 | 1 | 21 | 27 | -2 | -1 | 1 | -1 |
| Total | 67 | 5 | 28 | 100 | 63 | 5 | 32 | 100 | -4 | 0 | 4 | 0 |
| Peru | | | | | | | | | | | | |
| Employed | 53 | 2 | 8 | 63 | 28 | 4 | 33 | 65 | -25 | 2 | 25 | 2 |
| Unemployed | 3 | 1 | 2 | 6 | 1 | 1 | 3 | 5 | -2 | 0 | 2 | -1 |
| Out of Labour Force | 7 | 2 | 21 | 31 | 2 | 1 | 27 | 30 | -6 | -1 | 5 | -1 |
| Total | 63 | 6 | 31 | 100 | 31 | 6 | 63 | 100 | -32 | 0 | 32 | 0 |

Source: Author's own based on home surveys and employment surveys.

As can be seen in Table 1, before the outbreak of the pandemic, between 50 and 60 per cent of people of working age remained employed, either between two consecutive quarters (Argentina, Brazil, Costa Rica and Mexico) or between the same quarter in two consecutive years (Paraguay and Peru). However, **consistent with the strong contraction in the number of jobs during the first half of 2020, the rate of permanence in employment dropped significantly in most of the countries considered here. The fall reached 7, 9 and even 25 percentage points in some of them.**

The increase in exit rates from a job, however, was not the only force that explains the strong contraction in total employment. As can be seen in Figure 7, this combined with falls in the entry flows to jobs. Specifically, this figure presents for each country the entry rates (blue column), exit rates (turquoise column) and the net variation between them (red triangle).

► **Figure 7.** Entry rates and exit rates from a job and net variation in total employment. Selected countries in Latin America. I2019-I2021 (% of total employment.)



Source: Author's own based on home surveys and employment surveys.

Although both types of transition show the fall in employment in the first half of 2020, except for Brazil, **the increase in the exit rates from jobs explains the greater part - between 60 and 80 per cent - of the total destruction in employment during that period** (Table 2).

► **Table 2.** Contribution of entry and exit flows to the contraction in employment between the I and II quarter of 2020. Selected countries in Latin America

| Country | Percentage of reduction in employment explained by: | | Total |
|------------|---|-------------------------|-------|
| | Increase in exit rate | Reduction in entry rate | |
| Argentina | 72 | 28 | 100 |
| Brazil | 32 | 68 | 100 |
| Costa Rica | 78 | 22 | 100 |
| Mexico | 74 | 26 | 100 |
| Paraguay | 56 | 44 | 100 |
| Peru | 77 | 23 | 100 |

Source: Author's own based on home surveys and employment surveys.

As has been mentioned, this reduction in employment was accompanied by a severe drop in the rate of economic participation. From the results of the transition matrices (Table 1) it can be seen that this drop was due on the one hand to greater permanence of the population outside the labour force during this period, and on the other, to more marked flows from a job, as just mentioned, and in some cases also from unemployment to leaving the labour supply. Both behaviours are associated to the measures to restrict the mobility of people and, probably, also to discouragement.

Symmetrically to the pattern of the first half of 2020, the partial recovery of jobs from the middle of this year can be explained in all the countries primarily by the reduction in the rate of destruction of jobs (Table 3). That is, this process has been led primarily by a greater stability in existing jobs rather than by acceleration in the creation of new jobs. This result is to some extent to be expected given the weak dynamism of the level of economic activity, particularly during the early months of 2021. This is also consistent with the fact that, as will be shown later, it has been the hours worked, rather than added employment, that have reacted more in terms of economic recovery during this time.

 **Symmetrically to the pattern of the first half of 2020, the partial recovery of jobs from the middle of this year can be explained in all the countries primarily by the reduction in the rate of destruction of jobs (Table 3).**

► **Table 3.** Contribution of entry and exit flows to the increase of employment between the II quarter of 2020 and the I quarter of 2021. Selected countries in Latin America

| Country | Percentage of increase in employment explained by: | | Total |
|------------|--|------------------------|-------|
| | Reduction in exit rate | Increase in entry rate | |
| Argentina | 75 | 25 | 100 |
| Brazil | 84 | 16 | 100 |
| Costa Rica | 65 | 35 | 100 |
| Mexico | 59 | 41 | 100 |
| Paraguay | 53 | 47 | 100 |
| Peru | 77 | 23 | 100 |

Source: Author's own based on home surveys and employment surveys.

Finally, in the year-on-year comparison between the first quarter of 2020 and that of 2021 there is **an average reduction for the region of 3.5 percentage points (-6 per cent) in employment rate, a rise of 2 percentage points in the unemployment rate and a contraction of 2.6 percentage points in the economic participation rate. For first quarter of this year, this gives a value of 59 per cent for the economic participation rate, 52.6 per cent for the employment rate and 11 per cent for the unemployment rate (13 countries).**

A year-on-year increase in unemployment was recorded in nearly all the countries included in Table 4, with the exception of Argentina and Nicaragua (the rise in Paraguay is 0.2 percentage points). In some countries the increase was particularly significant, of the order of 3 or 6 percentage points. This can be verified in a context in which labour participation in the majority of these countries has not yet fully recovered from the marked contraction of the first semester of 2020.



► **Table 4.** Rates of participation, employment rate and unemployment rate. Selected countries in Latin America and the Caribbean. I quarter 2020-I quarter 2021

| | Activity rate | | | | | Employment rate | | | | | Unemployment rate | | | | |
|---------------------------|---------------|-------------|-------------|-------------|-------------|-----------------|-------------|-------------|-------------|-------------|-------------------|-------------|-------------|-------------|-------------|
| | I Q20 | II Q20 | III Q20 | IV Q20 | I Q21 | I Q20 | II Q20 | III Q20 | IV Q20 | I Q21 | I Q20 | II Q20 | III Q20 | IV Q20 | I Q21 |
| Argentina | 58.6 | 49.2 | 54.4 | 57.3 | 58.9 | 52.5 | 42.8 | 48.1 | 51.0 | 53.0 | 10.4 | 13.1 | 11.7 | 11.0 | 10.2 |
| Bolivia | 69.0 | 60.9 | 64.2 | 69.1 | 70.9 | 65.0 | 55.8 | 57.3 | 63.3 | 64.7 | 5.8 | 8.4 | 10.8 | 8.4 | 8.7 |
| Brazil | 61.0 | 55.3 | 55.1 | 56.8 | 56.8 | 53.5 | 47.9 | 47.1 | 48.9 | 48.4 | 12.2 | 13.3 | 14.6 | 13.9 | 14.7 |
| Chile | 62.5 | 51.9 | 53.4 | 56.6 | 57.3 | 57.3 | 45.6 | 46.8 | 50.8 | 51.4 | 8.2 | 12.2 | 12.3 | 10.3 | 10.4 |
| Colombia | 61.6 | 54.8 | 58.6 | 61.8 | 60.7 | 53.8 | 43.7 | 48.4 | 53.3 | 51.1 | 12.6 | 20.3 | 17.5 | 13.8 | 15.8 |
| Costa Rica | 63.4 | 57.6 | 59.1 | 60.8 | 60.8 | 55.5 | 43.7 | 46.1 | 48.7 | 49.4 | 12.5 | 24.0 | 22.0 | 20.0 | 18.7 |
| Mexico | 59.9 | 49.4 | 55.5 | 57.5 | 57.1 | 57.8 | 47.0 | 52.6 | 54.9 | 54.6 | 3.4 | 4.8 | 5.1 | 4.6 | 4.4 |
| Nicaragua | 71.0 | 66.5 | 68.3 | 70.5 | 69.5 | 67.6 | 62.9 | 65.0 | 67.5 | 66.1 | 4.8 | 5.4 | 4.8 | 4.8 | 4.9 |
| Paraguay | 71.2 | 66.7 | 70.7 | 72.4 | 72.9 | 65.6 | 61.6 | 64.9 | 67.1 | 67.0 | 7.9 | 7.6 | 8.2 | 7.2 | 8.1 |
| Peru | 70.2 | 45.3 | 63.3 | 70.5 | 70.0 | 66.6 | 41.3 | 57.2 | 65.6 | 64.8 | 5.1 | 8.8 | 9.6 | 7.0 | 7.5 |
| Dominican Republic | 63.4 | 56.7 | 59.7 | 61.1 | 61.7 | 59.8 | 54.8 | 55.4 | 56.6 | 56.8 | 5.7 | 3.2 | 7.1 | 7.4 | 8.0 |
| Uruguay | 61.6 | 58.8 | 60.3 | 61.5 | 61.5 | 55.6 | 52.9 | 53.8 | 54.8 | 55.0 | 9.7 | 10.0 | 10.8 | 10.9 | 10.5 |
| Jamaica | 65.6 | ... | 61.3 | 62.0 | 62.8 | 60.8 | | 53.6 | 55.4 | 57.3 | 7.3 | ... | 12.6 | 10.7 | 8.9 |
| Total 13 countries | 61.6 | 53.0 | 56.6 | 59.0 | 59.0 | 56.1 | 47.0 | 50.0 | 52.9 | 52.6 | 9.0 | 11.2 | 11.7 | 10.6 | 11.0 |

Source: Author's own based on SIALC/ILO.

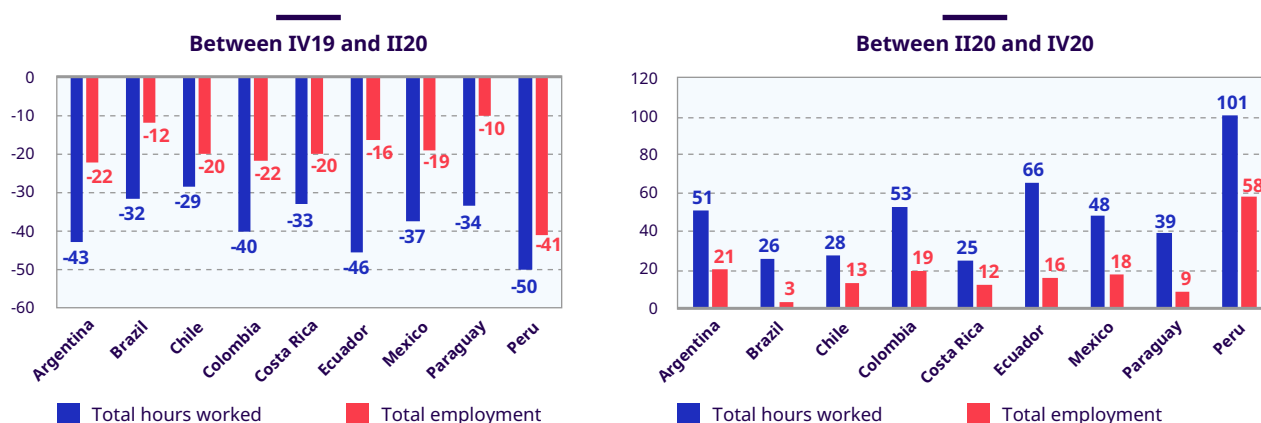
Although greater economic and employment dynamism is to be expected in the second half of 2021 – conditional on the speed of the vaccination process and containing the new variants of the virus –, the unemployment rate will undoubtedly continue to be a critical variable at least in the medium term. Further, the effect of “additional worker” could appear in this situation, adding a flow of new people who enter the economically active population because they need to generate income; this could lead to an increase in the number of the unemployed.

2.2 Hours worked as a global indicator of the impacts of the crisis on the labour markets in the region

The marked drop in the number of people employed that occurred at the beginning of the economic crisis is a clear indicator of the profound impact that the pandemic and the isolation measures had on work, but it underestimates the impact inasmuch as there was concurrently a drop in the number of hours worked by those who remained employed (including those who did not work a single hour). **In fact, the reduction in the total number of hours worked during the first half of 2020 was greater than the reduction in the total number of people employed (Figure 8).**

In Argentina and Mexico hours worked fell nearly twice as much as employment between the last quarter of 2019 and the second of 2020 (around -40 per cent and -20 per cent respectively in both countries); in Brazil, Paraguay and Ecuador the proportion was nearly triple (approximately 30 per cent and 10 per cent respectively in the first two cases, and 45 per cent and 15 per cent in Ecuador). In Costa Rica and Chile there was a difference of 50 per cent (about -30 per cent in total hours and -20 per cent in jobs). The gap between the two indicators was smaller in Peru but still significant.

► **Figure 8.** Change in total employment and in total hours worked. Selected countries in Latin America. IV 2019 - IV 2020



Source: Author's own based on home surveys and employment surveys.

This all implies, then, that the total of hours worked decreased between these two periods both from the decrease in the number of employed and from the average number of hours effectively worked. With regard to the latter, the change is in turn due to two factors. On the one hand, the strong increase in the proportion of those who were absent, that is, those who did not work a single hour.⁹ And on the other, the reduction in hours worked by those who worked at least one hour.

⁹ Strictly speaking, it refers to those who did not work even a single hour in the reference week of the surveys, which is the week before the interview is carried out.

The proportions in total employment of those who had not worked a single hour during the fourth quarter of 2019 were between 1 per cent and 3 per cent, with a higher value of 6 per cent in Chile; these low figures could be considered as the usual figures. During the worst moment of the labour situation, six months later, said values had increased to above 15 per cent, reaching 20 per cent in Argentina and Paraguay. One of the important reasons for the high presence of employed people who did not work a single hour would be the use

of temporary suspension of work. It can in fact be seen that in several countries the greater percentage of the employed who worked no hours corresponds to formal salaried workers, where this option was legally available. But there is also a significant leap among the informal salaried workers and non-salaried workers (formal and informal), showing that also in those cases many people kept their employment but were unable to effectively carry out their activities in the context of lockdown.

Throughout the second half of 2020, symmetrically to the first part of the year, hours worked grew at a faster rate than employment (Figure 8). They thus recovered a good proportion of the initial loss but, as in the case of employment, the total number of hours had contracted when making an annual comparison.

The greater increase in hours worked in comparison to employment is to be expected inasmuch as the increase in the use of labour in recovery phases is initially observed as a more intense use of the existing labour force and is subsequently also seen in the creation of new jobs only if the demand for workers continues. This finding is in turn complementary to what was previously stated regarding the fact that it is the greater retention rate in employment, rather than acceleration in creation of new sources of work, that accounts for the partial recovery of employment.

Despite this recovery, according to the ILO Monitor: COVID-19 and the world of work. Seventh edition (ILO, 2021b), **Latin America and the Caribbean has been the region with the greatest reduction in hours of work around the world, with an estimated loss of the order of 16.2 per cent during 2020 in comparison to 2019. This figure is almost double the global estimate of 8.8 per cent.**

During the first semester of 2021, the region continues to be one of the most affected, with an estimated drop in hours of work of the order of 8 per cent in the first quarter and 6 per cent in the second. Worldwide, these were drops of 4.8 and 4.4 per cent, respectively (ILO, 2021c).

2.3 The widening and persistence of the gender labour gap

As has been analyzed in previous reports (ILO, 2020a, 2021a; ECLAC-ILO, 2021), the negative effects of the crisis in the region have been significantly higher among women than among men. This was seen, among other indicators, in a greater reduction in female employment (18 per cent) than in male employment (14 per cent) between the first and second quarter of 2020 (Figure 9).

Similarly, a recent report of the ILO (2021c) states that worldwide between 2019 and 2020, employment of women fell by 4.2 per cent, which was a reduction of 54 million jobs, while male employment contracted 3 per cent, equivalent to 60 million jobs. **The Americas region saw the greatest reduction in women's employment as a result of the pandemic.**

The stronger impact among women in the region is linked, on the one hand, to the greater presence of women in economic sectors that were strongly affected by the crisis, such as hotels and restaurants,



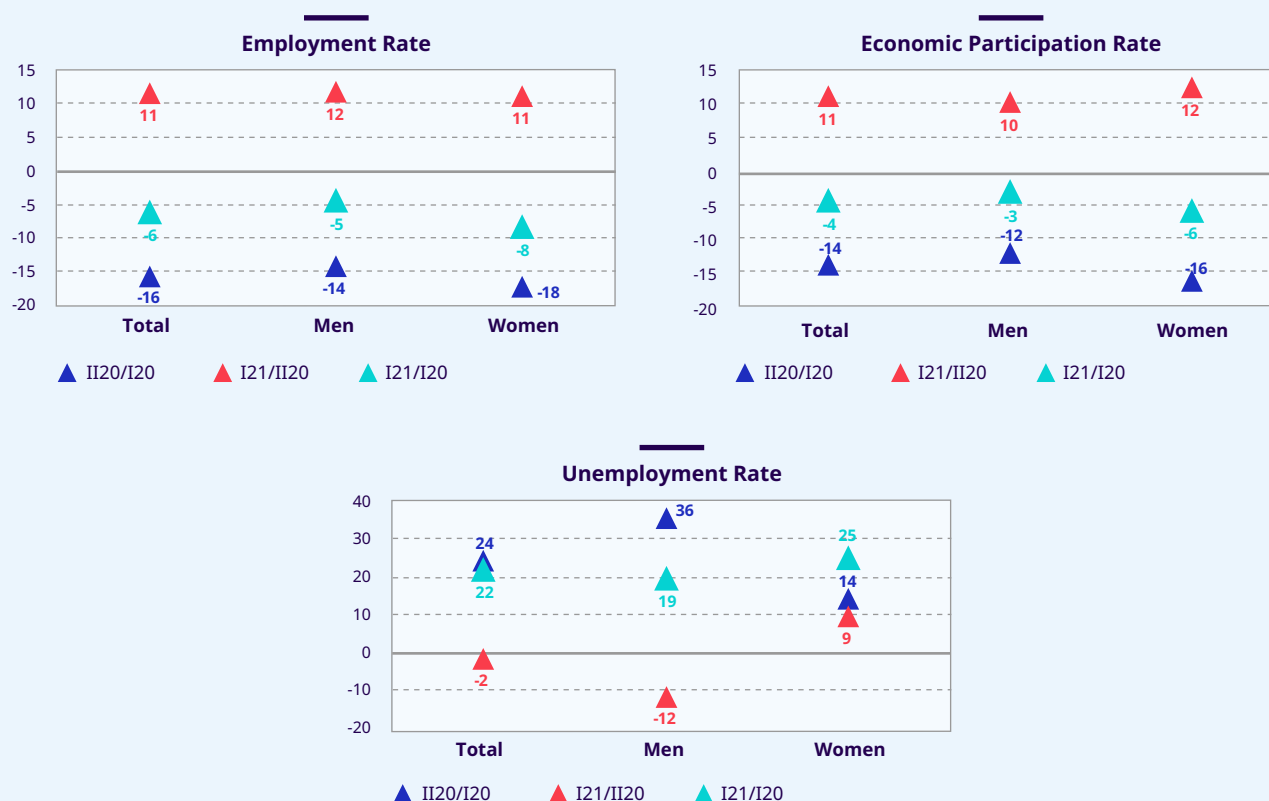
and in other service activities and the home sector. On the other, there is the greater rate of informality among women. In highly feminized economic sectors, such as domestic work, the rate of informality is above 80 per cent.

As has been mentioned, given the scarce employment opportunities in this critical context, the initial job losses became not only transitions to unemployment but, primarily and at an unprecedented level, exits from the labour force. Again, these flows were seen more markedly among women. The rate of female economic participation in the second quarter of 2020 recorded a minimum value of 42.8 per cent, a fall of 9 percentage points (-18 per cent) in comparison to the same quarter of 2019. The drop in this indicator in comparison to the first quarter of 2020 was 16 per cent, as opposed to a 12 per cent drop in male labour supply (Figure 9).

This reversal in the labour participation of women occurred after decades in which the records showed growth in the incorporation to the labour force. On average for the region, **such a low economic participation of women had not been recorded for 15 years.**

This was associated, in addition to the factors already mentioned, with the growing difficulties of handling remunerated work together with family responsibilities in a context in which educational services and care were profoundly altered, along with health measures for social distancing and a reduction in mobility.

► **Figure 9.** Variation in employment rate, unemployment rate and economic participation rate by gender (%). Latin America and the Caribbean. I quarter 2020 – I quarter 2021



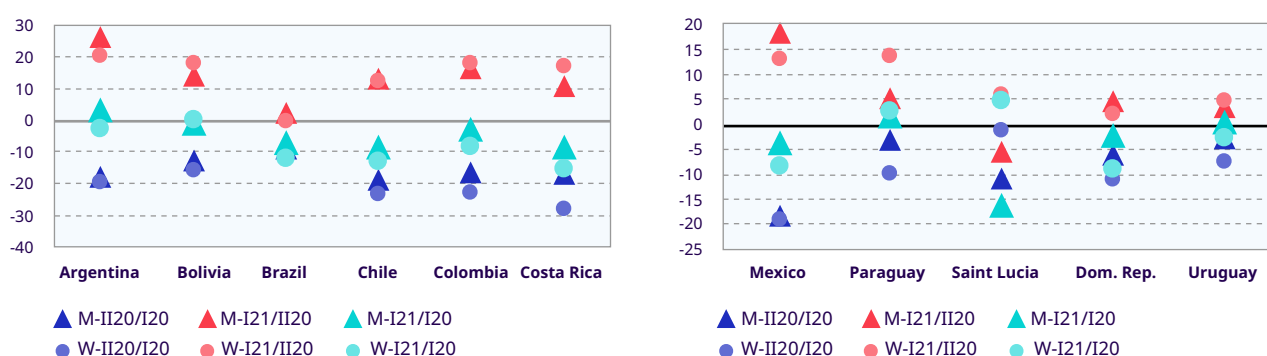
Source: Author's own based on SIALC/ILO.

At a regional level, the recovery in female employment has shown a similar intensity to that of male employment. This behaviour, in conjunction with the greater initial loss in jobs among women, leads to a greater net contraction between the first quarter of 2020 and that of 2021 of employment among women (-8 per cent) than among men (-5 per cent). **From the second quarter of 2020 to the first quarter of 2021, 58 per cent of total female employment lost during the first semester of 2020 in the region was recovered. For male employment, this figure reaches 77 per cent.**

As can be seen in Figure 10, the pattern seen at regional level for female employment vis-à-vis male employment is repeated in a high proportion of the countries shown. Specifically, the greater initial contraction is seen in nearly all the countries, except for Mexico and Saint Lucia. The difference in the drop between both groups in the first semester of 2020 reached 6 or 10 percentage points in some countries.

Then, although the proportional increase in jobs between the second quarter of 2020 and the first of 2021 was relatively similar between men and women at regional level, the situation varied between countries. Specifically, the relative equality is the net result of some countries where there is greater creation of female employment, while the opposite is true in the rest. However, except for Bolivia, Paraguay and Saint Lucia, the comparison between the first quarter of 2020 and the same quarter of 2021 shows a greater contraction in employment for women than for men.¹⁰

► **Figure 10.** Variation in employment rate by gender (%). Selected countries in Latin America and the Caribbean. I quarter 2020 – I quarter 2021



Source: Author's own based on home surveys and employment surveys.


Worldwide, ILO (2021c) estimates that in 2021 there will be 13 million fewer female jobs than in 2019, while male employment will have recovered the level it had that year. Although the expected rate of employment growth for women worldwide in 2021 (3.3 per cent) is higher than that for men (3 per cent), this will not be enough for women to completely recover pre-pandemic levels of employment. On average worldwide, the gap in employment rate by gender will be exceedingly high, around 25.4 percentage points.

¹⁰ In Jamaica too (which has not been included in Graph 10 since the data is lacking for the second quarter of 2020), we see a year-on-year contraction of the rate of employment between the first quarter of 2020 and that of 2021 that is less strong for men (5 per cent) than for women (7 per cent).



International
Labour
Organization

#MyFutureOfWork

The background of the slide is a photograph of a market stall. In the foreground, a man wearing a camouflage-patterned face mask is looking down at a blue plastic bag he is holding. Behind him, another person in a bright pink shirt is visible, also wearing a mask and holding a phone. The stall is filled with various fruits, including large red dragonfruits. The image is partially obscured by large, colorful geometric shapes (purple, blue, red, and yellow) that form a modern, abstract design on the left and bottom of the slide.

The greater initial loss of jobs among young people is a generalized feature in the region.

This arises both from the higher degree of informality that existed at the beginning of the year among the employed under 25 years old and from the poorer performance exhibited by young people in all occupations.

2.4 Young people and less-qualified workers particularly hard hit by the crisis

The greater initial loss of jobs among young people is a generalized feature in the region (except for Peru). This arises both from the higher degree of informality that existed at the beginning of the year among the employed under 25 years old (except for Costa Rica) and from the poorer performance exhibited by young people in all occupations.

However, during the recovery recorded throughout the second half of 2020, young people returned to work rather faster than the rest of the population. **Even so, as in the case of women, they were not able to fully compensate the initial drop, and in most countries in the region their participation in total employment at the end of 2020 was lower than that recorded a year previously.**

This situation comes on top of the greater historical difficulties that young people have in the labour markets in the region. They face greater labour intermittency, explained in part by the high entries and exits from the labour force. The greater occupational instability is in turn associated with their greater prevalence in informal, precarious activities that require lower qualifications. For teenagers who enter the labour market early and, in general, for young people with little work experience and lower development of work skills, the high occupational turnover works against the possibility of obtaining specific qualifications and this makes their future labour path more difficult. Less experience, in turn, particularly in contexts of low labour demand, reduces the likelihood of them getting a job and increases the chances of losing it. This situation can go hand in hand with an increase in discouragement, which can lead to fewer incentives both to look for work and to start or continue studies.



At the same time, workers with low education levels have also seen the most significant job losses since the outbreak of the pandemic.

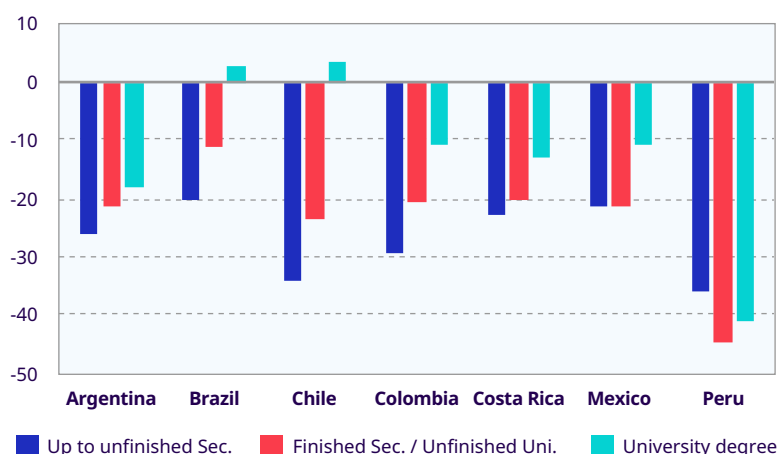
The view is more complex when age is taken into account alongside gender since it is seen that it is young women who experienced the greatest reduction in employment in the course of 2020.

At the same time, workers with low education levels have also seen the most significant job losses since the outbreak of the pandemic. This is seen in all the countries shown in Figure 11 with the sole exception of Peru.¹¹

The greater drop in employment in this group of workers is due, on the one hand, to the greater weight that informality has among people with a low educational level. However, in most cases this process was reinforced because the jobs of less qualified workers were the ones that saw sharper drops than average in the different occupational categories.

¹¹ The greater drop in employment for those with intermediate qualifications in Peru can be attributed both to the fact that in this country it was the formal wage earners who experienced a greater initial decrease, and to the relatively better performance of those with low rate of schooling in the informal sector.

► **Figure 11.** Variation in employment rate by educational level (%). Selected countries in Latin America. I quarter 2020 – II quarter 2020



Source: Author's own based on home surveys and employment surveys.

The employment recovery process in the second half of the year was rather more intense among those with lower education and was at least partly linked to the fact that it was based on an increase in informal positions, as will be seen in the next section. In any case, with the exception of Peru, **the employment of less qualified workers at the end of 2020 had less weight in the total in comparison to records for the year before.**

3. Labour informality: A distinctive feature of the recovery of employment

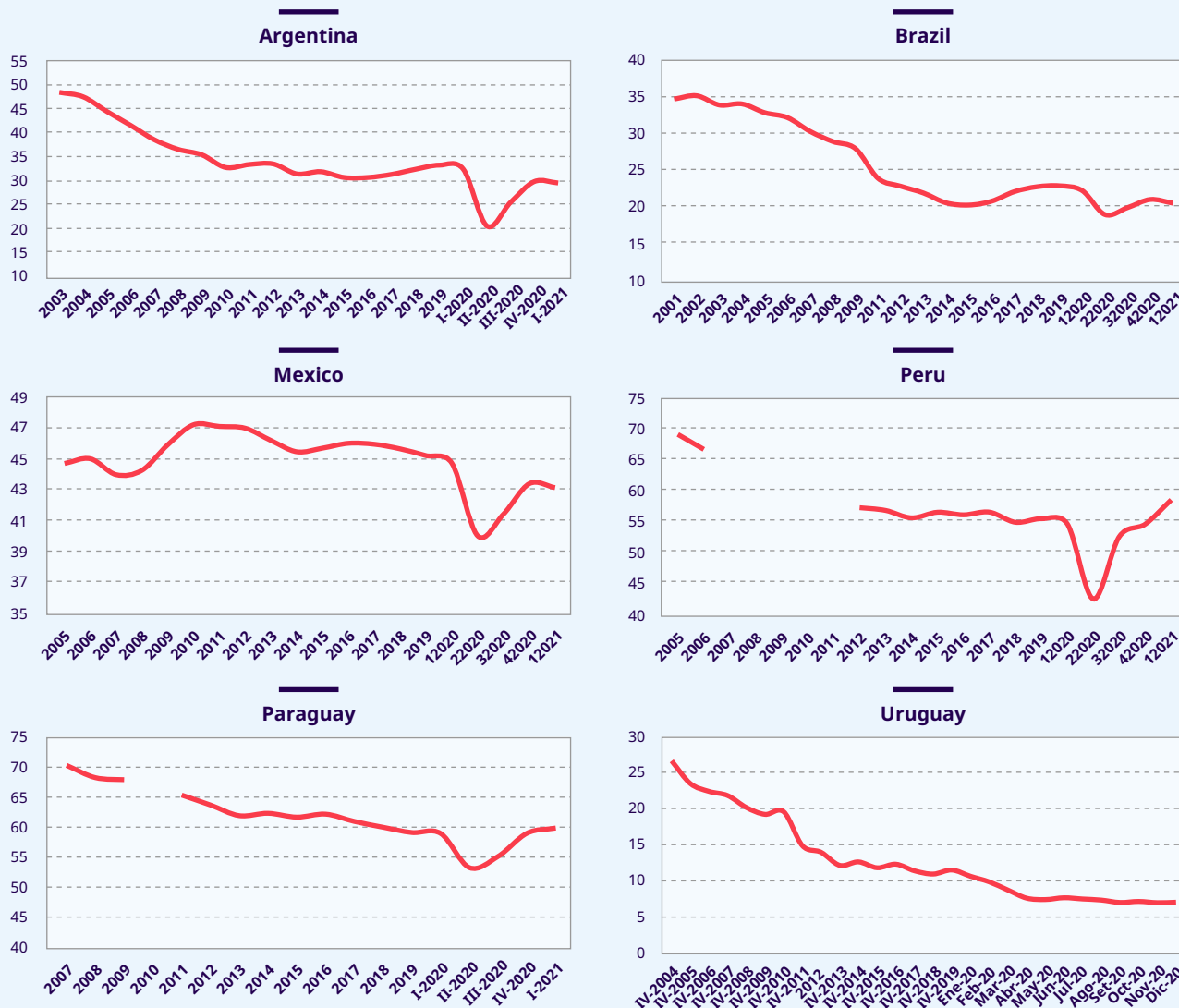
3.1 The formalization process stalled before the outbreak of the pandemic

Labour informality is one of the distinctive features of the labour markets in Latin America and the Caribbean. A number of countries in the region had, however, seen a growing trend in the proportion of formal employment during part of the new millennium. (See Box II for the ILO definition of informality). Specifically, as can be seen in Figure 12, in several countries that meant a very significant reduction in the proportion of informal salaried workers during those years.

This labour formalization process during the decade of 2000 was linked, on the one hand, to greater dynamism in demand for labour in a macroeconomic context characterized by a relatively high and stable growth rate, and on the other, by the implementation of specific public policies that tended to strengthen the process.¹²

¹² For further analysis on this subject, see, for example, Amarante and Arim, 2015; Bertranou and Casanova, 2013; Berg, 2010; ECLAC-ILO, 2014; FORLAC, 2014, 2016; Maurizio and Vázquez, 2019; Maurizio et al., 2021; ILO, 2014, 2018.

► **Figure 12.** Change in proportion of informal employees in the total of dependent employment (%). Selected countries in Latin America



Source: Author's own based on home surveys and employment surveys.

However, after the significant increase in labour formality in a large part of the region, the process slowed, stopped or reversed long before the outbreak of the pandemic, along with weakening of macroeconomic performance and a deterioration of other labour indicators. Between 2016 and 2019 it was the own-account jobs that accounted for a large part of the increase in employment in the region (ILO, 2019).

On average, **the rate of informality in the region was 51 per cent in 2012, which is very similar to that seen subsequently in the period 2017–2019.** That is, during those years, one in two employed people was informal, which meant a very complex labour overview before the outbreak of the pandemic.

3.2 The destruction of formal employment in the context of the pandemic

As has been documented in detail in previous reports (ILO, 2020a, 2020b, 2020c), the countries in the region implemented different policies to shore up formal salaried employment during 2020. Three types



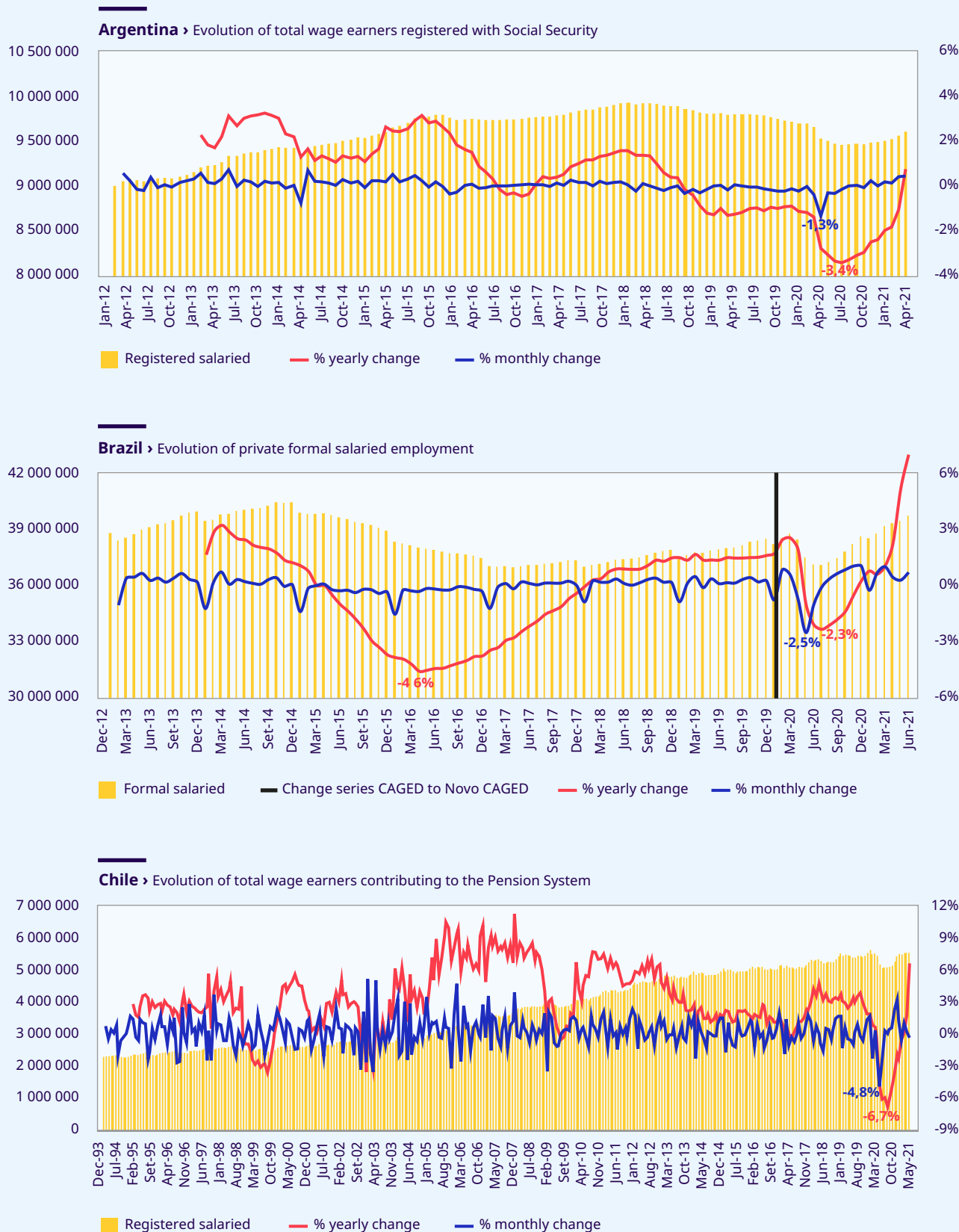
of interventions can be specifically distinguished: (a) payroll subsidies; (b) extension of unemployment benefits to cover other events beyond unemployment due to dismissal; (c) more recently, subsidies to incentivize the return of furloughed workers or to hire new workers.

However, despite these measures, which have undoubtedly contributed significantly to limiting the loss of jobs, the data from administrative records (for greater detail on these, see Box III) show significant drops in these types of occupations (Figure 13). Further, **in the majority of the countries considered here, the drops recorded for formal employment in the months of April, May and June 2020 are the highest for the given period in the series corresponding to each.**

Thus, for example, in Argentina, after reductions in the number of salaried workers recorded in social security since mid-2019, the drop became acute in the context of the pandemic when a contraction of the order of 1.3 per cent was recorded for April in comparison to the previous month, and of the order of 3 per cent in comparison to the same month in 2019. The downward trend in total formal employment continued until October 2020. In the case of Chile, the number of contributors to the pension system also recorded a year-on-year contraction in May 2020 of the order of 5 per cent, and was followed by others of greater magnitude (around 5 or 6 per cent) until the month of October.

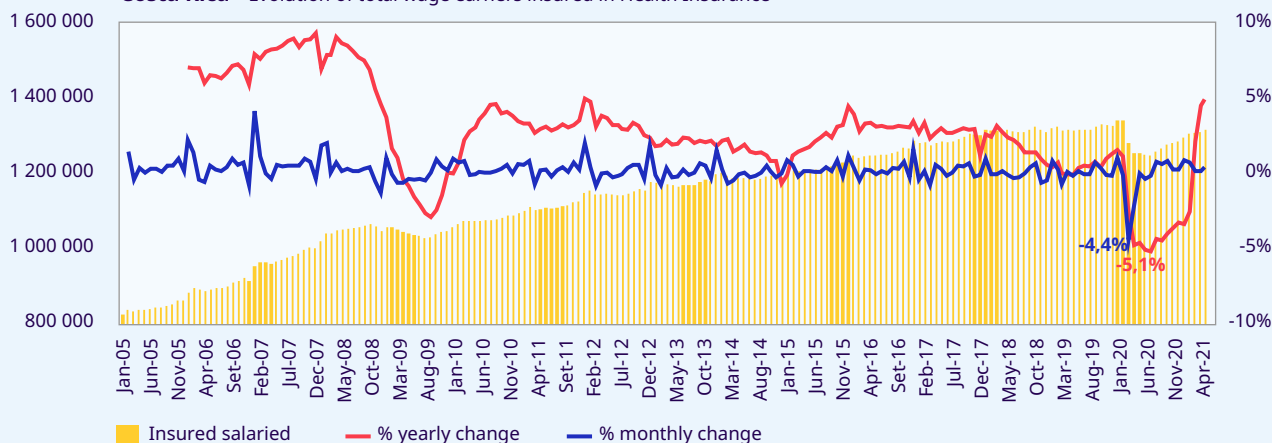
In Mexico, the year-on-year reduction of the order of 4.4 per cent in July 2020 of the number of salaried jobs in the private sector recorded in the Instituto Mexicano de Seguridad Social is somewhat higher than that seen in the context of the international crisis in 2009. In Peru, the drops in formal employment in the private sector have been very much greater than those values, around 20 per cent in May and June 2020 in comparison to the same months in 2019. **Further, in most countries, formal employment towards the end of 2020 had not recovered the values of the beginning of the year.**

► **Figure 13. Change in number of formal employees. Selected countries in Latin America**

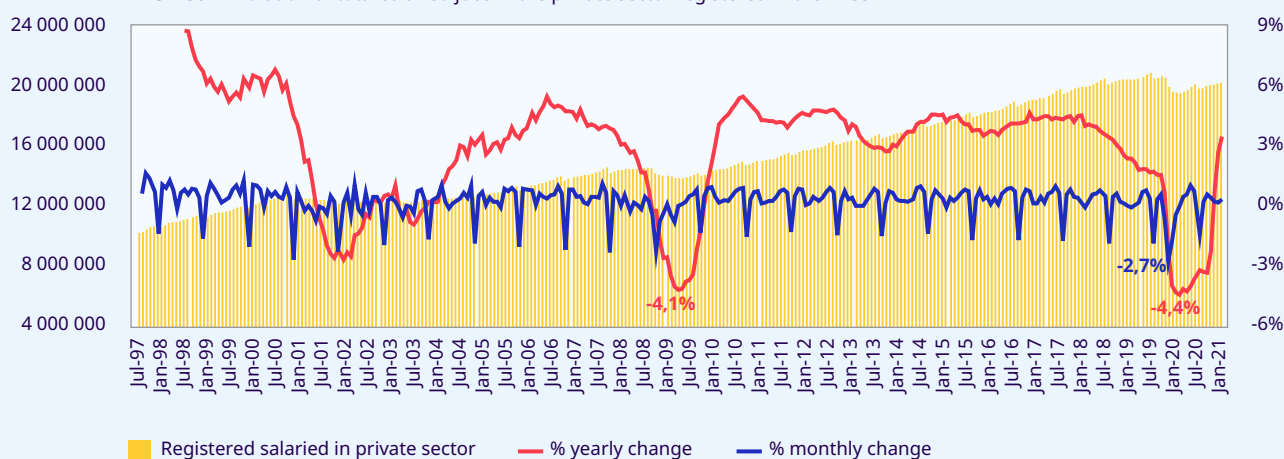


► Continues...

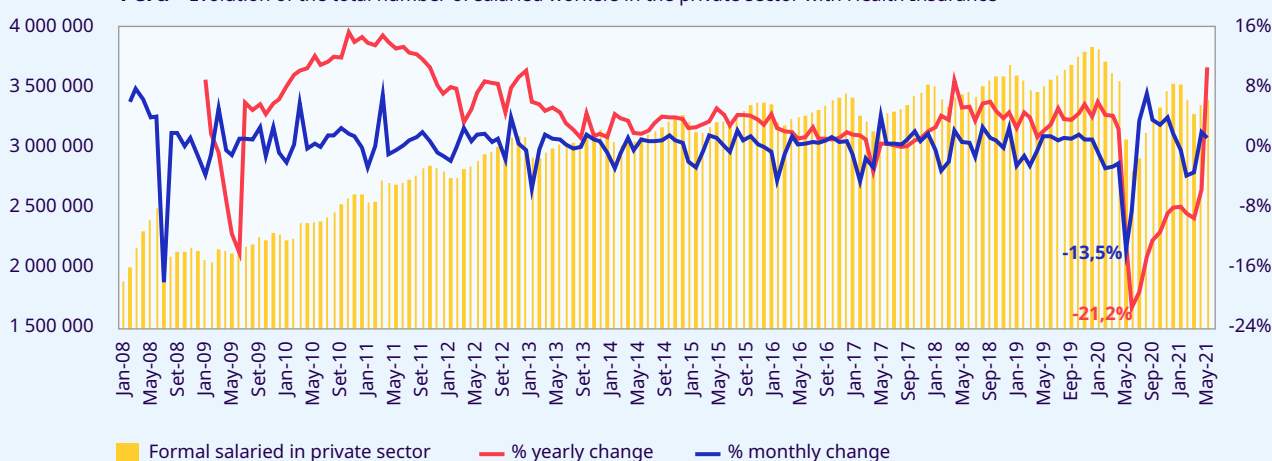
Costa Rica ► Evolution of total wage earners insured in Health Insurance



Mexico ► Evolution of total salaried jobs in the private sector registered in the IMSS

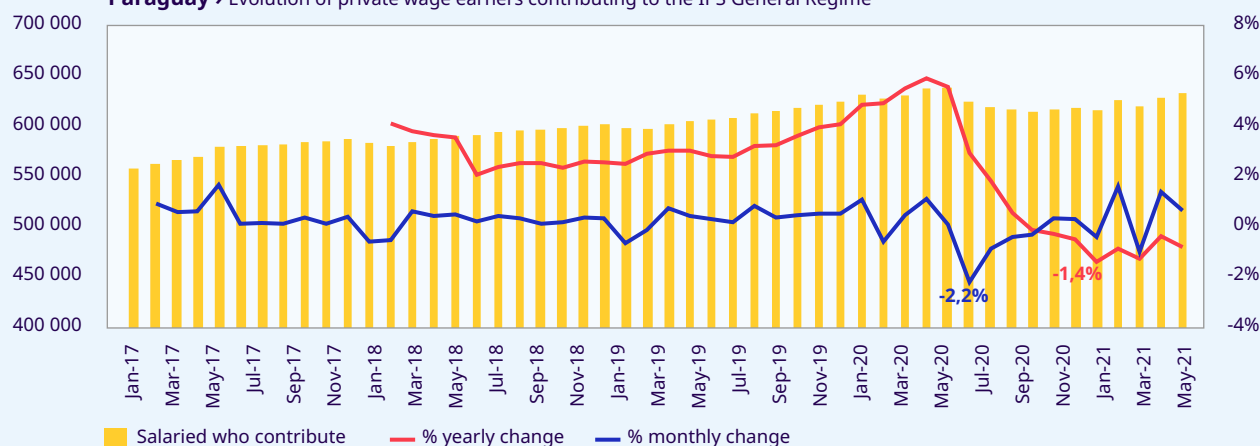


Peru ► Evolution of the total number of salaried workers in the private sector with Health Insurance

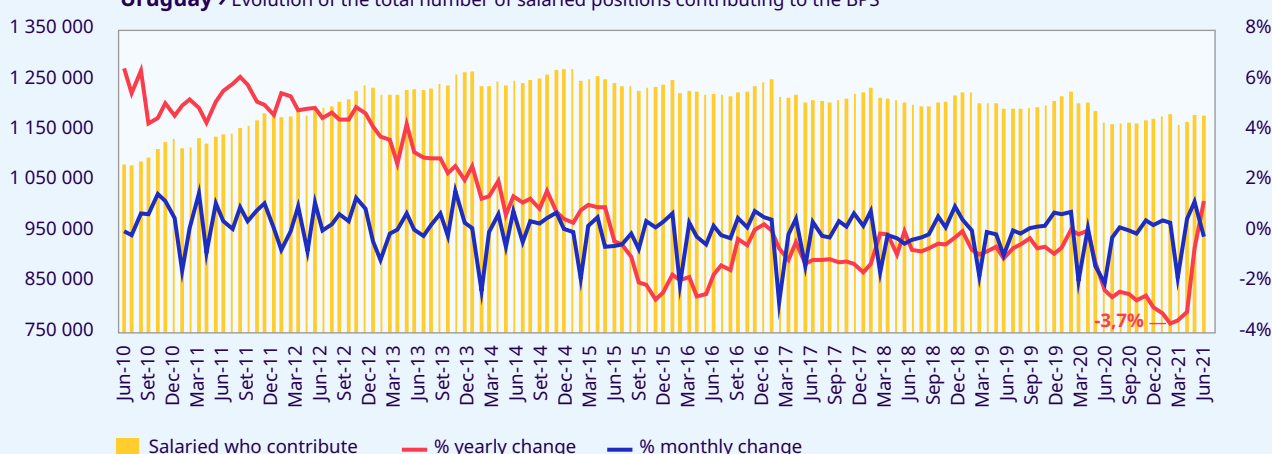


► Continues...

Paraguay ► Evolution of private wage earners contributing to the IPS General Regime



Uruguay ► Evolution of the total number of salaried positions contributing to the BPS



Source: Author's own based on administrative records.

Despite these drops, as will be seen, **formal employment has been impacted to a lesser degree than informal employment**. Also, in several countries, the formal employment-GDP elasticity has been lower than in other crises; that is, the destruction of these types of jobs per unit of reduction of the product level has been less than in other such junctures. During 2020, while, as has been mentioned, total employment-GDP elasticity was around 1.5 on average for the region, this indicator was around 0.25–0.70, depending on the country, in the case of formal salaried employment. As has been mentioned, this result is influenced by measures to support the formal labour relation that were implemented in the region during 2020.

Accordingly, **the future dynamics of formal employment will depend no only on the economic situation but also on the implementation and continuity of measures that underpin the creation of new jobs of this type**. Taking into account what has been observed in previous crises, there is a high risk of informalization of labour, added to the already very high levels of informality in the majority of the countries in the region. The deficit of formal work will probably in turn become more evident for certain

groups of workers, such as young people, women and adults with lower qualifications; these are groups that structurally have greater difficulties in obtaining a formal job.

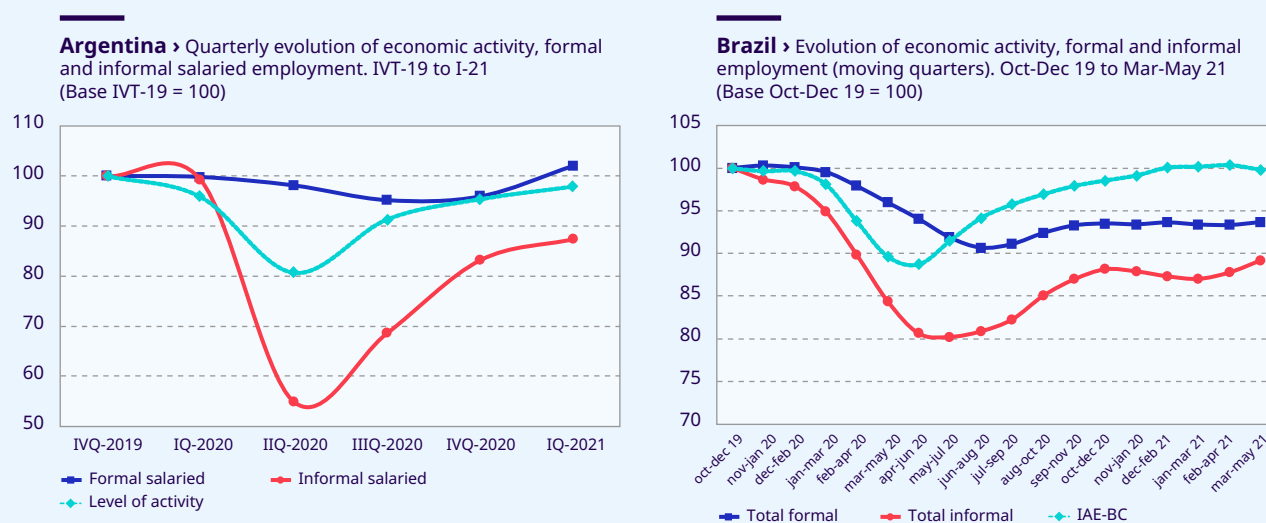
3.3 The traditional adjustment mechanism weakened: the greater contraction of informal jobs

As has been stated in previous reports (ILO, 2020a, 2021a), the dynamics seen in formal and informal employment differ, in many cases, from those seen in previous economic crises. Frequently, when formal employment falls, informal employment has a countercyclical role and its level increases. However, **in this crisis both formal and informal employment saw pronounced contraction, the latter more intense than the former**¹³ (Figure 14). Thus, the “traditional mechanism” was greatly weakened in this situation. That is, own-account work and, to a certain extent, informal salaried jobs, that usually moderate changes in aggregate employment, exacerbated their negative variation.

In Argentina, Mexico and Paraguay, for example, the reduction in informal jobs accounted for over 80 per cent of the drop in total employment during the first half of 2020. In Costa Rica and Peru, this value was a little lower, of the order of 70 per cent, while in Chile and Brazil it was 50 per cent.

There are a number of factors that can explain this behaviour. On the one hand, the higher rate of informality in some productive sectors that had to stop their activities since they were not included among the essential sectors is one of the factors behind the greater contraction in these jobs. Then there is the greater ease of putting an end to an informal salaried relationship and the greater occurrence of this type of occupation in smaller enterprises, which find it more difficult to manage long periods without activity. Further, a significant proportion of independent workers were not included in the exceptions to social distancing and reduced mobility; at the same time, a high proportion of them are self-employed and do not work at home, and for them the possibility of teleworking is limited.

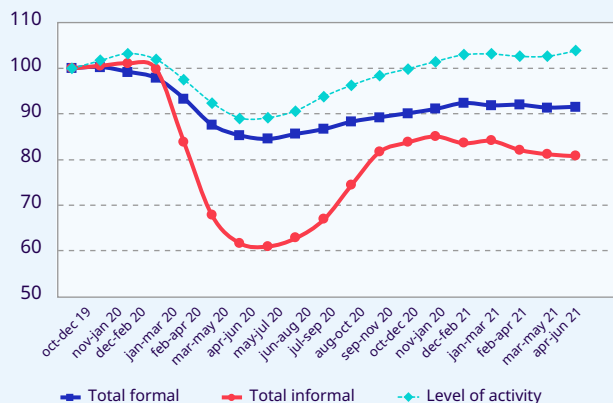
► **Figure 14.** Change in level of economic activity, formal employment and informal employment. Selected countries in Latin America. End 2019–2021



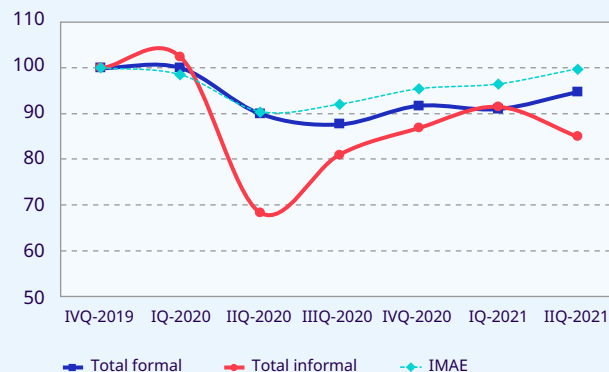
► Continues...

13 Except in Peru, where formal employment contracted more than informal employment.

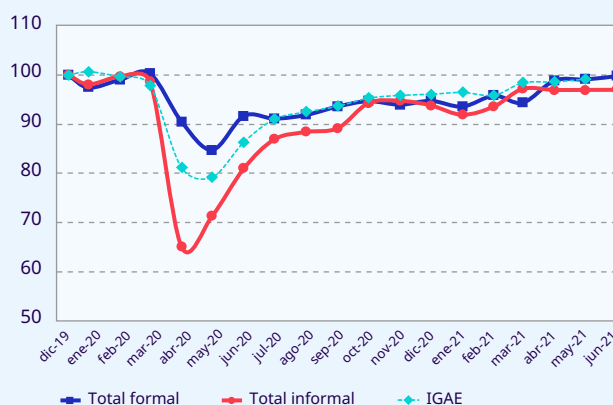
Chile ► Evolution of economic activity, formal and informal employment (moving quarters). Oct-Dec 19 to Apr-Jun 21 (Base Oct-Dec 19 = 100)



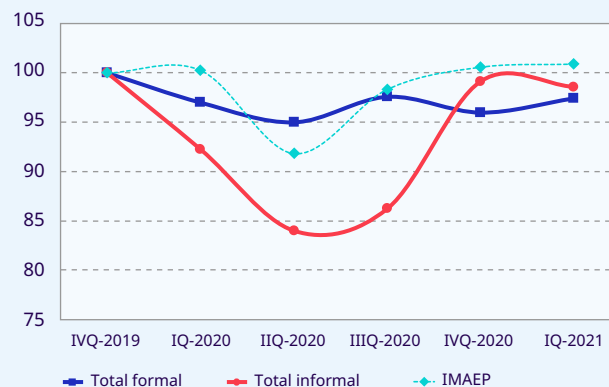
Costa Rica ► Quarterly evolution of economic activity, formal and informal employment. IVT-19 to IIT-21 (Base IVT-19 = 100)



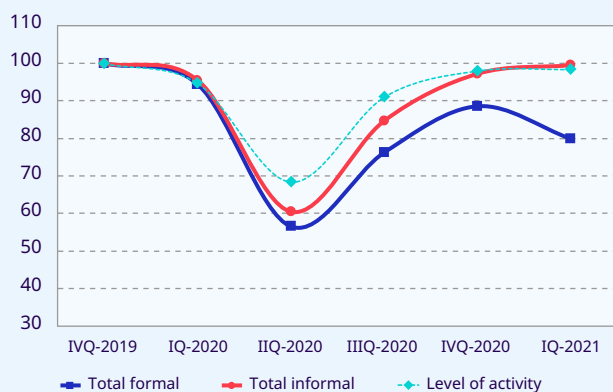
Mexico ► Monthly evolution of economic activity, formal and informal employment. Dec 19 to Jun 21 (Base Dec 19 = 100)



Paraguay ► Quarterly evolution of economic activity, formal and informal employment. IVT-19 to IT-21 (Base IVT-19 = 100)



Peru ► Quarterly evolution of economic activity, formal and informal employment. IVT-19 to IT-21 (Base IVT-19 = 100)



Source: Author's own based on home surveys and employment surveys as well as official data on level of economic activity.

In terms of formal employment, the greater stability seen in comparison to informal employment would seem to indicate the expectation on the part of employers that the contraction episode would be relatively transitory. Enterprises also used strategies such as a shorter working day, suspensions or teleworking which enabled continuity of employment in formal positions. In effect, as described in ILO (2021d), work from home was a form of work used mainly by formal salaried workers. Lastly, and as has been mentioned, the measures to support formal employment are a further factor in explaining these divergent dynamics.

The greater contraction in informal employment meant that the rate of informality fell (temporarily) in the context of the generalized collapse of demand for employment, particularly in the early months of the pandemic.

For example, between March and April 2020 in Mexico, there was a recorded loss of 10.5 million informal jobs as opposed to a reduction of 2.4 million formal jobs. This led to a contraction of 8 percentage points in the rate of informality. In Costa Rica, the rate of informality dropped abruptly from 47 per cent to 40 per cent between the first and second quarters of 2020. In Argentina, the percentage of salaried workers without a pension discount dropped 12 percentage points in the same period. In Chile, the informality rate fell from 29 per cent to 22 per cent in the first semester of 2020.

When the flows behind the behaviour of formal and informal employment are analyzed, based on panel data, there are significant differences to be seen between both sets of workers (Figure 15). In particular, in all the countries considered here, the exit rates and entry rate, both before and during the pandemic, are significantly higher among informal occupations than among formal ones. **In the context of the crisis, with the exception of Brazil, there was an increase in exit rates in both types of jobs; this was, however, more marked in the case of informal jobs.** Thus, there was a widening of the stability gap between these jobs and formal jobs.



In terms of formal employment, the greater stability seen in comparison to informal employment would seem to indicate the expectation on the part of employers that the contraction episode would be relatively transitory. Enterprises also used strategies such as a shorter working day, suspensions or teleworking which enabled continuity of employment in formal positions.

► **Figure 15.** Entry and exit rates from a job and net variation in employment. Formal employees and informal employees. Selected countries in Latin America. I2019-I2021

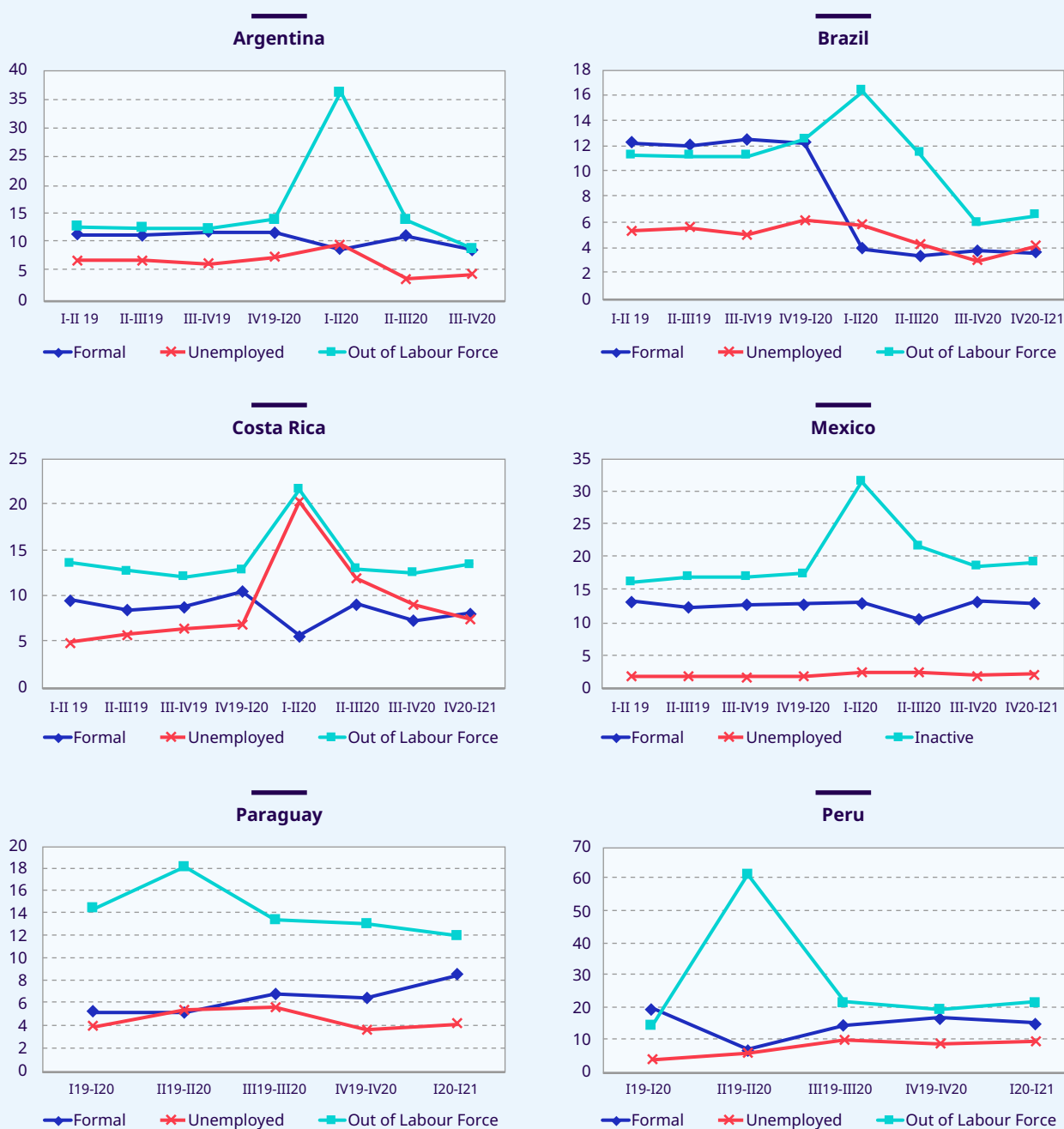


Source: Author's own based on home surveys and employment surveys.

In addition to the increase in the rate of destruction of formal employment, and more markedly of informal employment, the reduction of entry flows to both types of jobs also evidences the contraction in employment during the first half of 2020. However, in the case of informal jobs, the marked reduction was explained more by the rise in destruction of employment than by the slowdown in the creation of new jobs of that type. In the case of formal jobs, this was only so in some countries.

Also, based on Figure 16, it is clear that **the greater exit rates from informal employment led to greater withdrawals from the labour force. Conversely, in the early part of 2020 there was a reduction in transition from informal to formal posts.** This is consistent with the lower entry rates to a formal job seen during this contractive phase.

► **Figure 16.** Exit rates of informal workers to different destinations. Selected countries in Latin America, I2019-I2021



Source: Author's own based on surveys of the labour force.

3.4 The combination of informality and gender: informal women saw more marked job losses

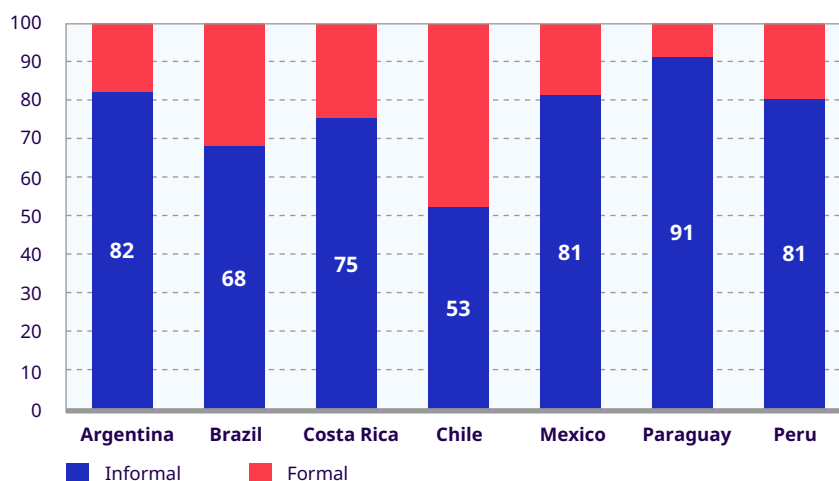
The strong contraction in informal employment has not been even among working groups defined by other characteristics. Indeed, **the loss of informal jobs was even more marked for women than for men**. As an example, in Mexico, the number informal female workers dropped by 40 per cent between January and April 2020, which is 10 percentage points more than for informal male workers. In Peru, nearly half of informal female workers lost their job between the fourth quarter of 2019 and the second quarter of 2020, a drop 14 percentage points greater than that for informal male workers. An even greater gap in the impact of informal women workers in comparison to informal male workers, of the order of 20 percentage points, was seen in Costa Rica during that period.

The marked contraction of employment in certain sectors that were hard hit by the crisis (tourism, domestic service), which combine a high rate of informality with feminization of the jobs, partially accounts for this pattern.

3.5 The partial recovery of employment led by informal jobs

When analyzing the dynamics of the different employment categories from the second half of 2020, it can be seen that it has been almost completely driven by growth in informal employment. As can be seen in Figure 17, these jobs have accounted for about 70 per cent or more of the net creation of work in this period in Argentina, Brazil, Costa Rica, Mexico, Paraguay and Peru. Although the percentage is somewhat lower in Chile, about one in every two new jobs has been informal.

► **Figure 17.** Contribution of formal employment and informal employment to recovery of total employment from the second half of 2020 until the most recent data available for 2021. Selected countries in Latin America



Source: Author's own based on home surveys and employment surveys.

This situation may be reflecting, on the one hand, that the increase in level of activity did not completely require new formal workers, inasmuch as companies handled the growing production by raising the hours worked, including the return to work of furloughed employees and those who had been temporarily absent. On the other, it is a reflection of the fact that, at least in part, own-account workers, many of whom are informal, were able to go back to activities that had been interrupted by the restrictions. The increase in the number of informal salaried jobs can also be linked to some extent to the reopening of small businesses (that have a higher rate of informality).

This process of a stronger increase of informal positions has meant that the rate of informality in the first quarter of 2021 has been similar to or, in some countries, higher than that seen a year earlier. On average, for eight countries in Latin America,¹⁴ this proportion remained practically unchanged between the first quarter of 2020 (47.3 per cent) and the first quarter of 2021 (47.5 per cent). When analyzing the situation of salaried workers and independent workers separately, it can be seen that the rate of informality in the first months of 2021 was slightly lower than a year before for the first group, with the inverse being true for the second group. In the first quarter of 2021, about 76 per cent of independent workers and somewhat more than a third of salaried workers were informal.

Finally, a dimension that is particularly important here is the degree to which the growth of informality may or may not be associated not only to entry flows to this type of employment coming from outside the labour force, but also to entry flows from formal positions.

Since mid-2020 there has been a reduction in exit flow from formal employment to outside the labour force, which is set against a stability or even increase of flows from a formal job to an informal one. Although it is premature to state that there is a process of informalization of previously formal employment, taking into account the experience of previous crises, this is a significant latent risk. The probability rises if not enough formal jobs are generated in relation to the return to the labour force of those who are still outside it. Further, as has been mentioned, in contexts of a strong contraction in family income, other members may enter the labour market for the first time in an attempt to compensate, at least partially, for the loss of total family monetary resources.

4. The evolution of average income and unequalizing impacts

4.1 The contraction of real average work income and the “composition effect”

Real income from the main occupation during the initial phase of drop in employment showed, on average, positive changes in some countries in the region. But **the tracking of average values in this context must be carried out with caution given the significant changes in the composition of employment.**

Indeed, comparisons of average labour incomes in the period following the beginning of pandemic-related restrictions as against those in previous months underestimate the drop, even within each of the groups of workers, and do not reflect the changes recorded in labour income of those who have remained employed and in the same categories. Specifically, **the decrease in relative weight of occupations with lower income – informal jobs, for example – tends per se to raise the general average.**

One way to isolate the “composition effect” in the evolution of average labour income is to consider only the individuals who remained employed in the period under study. Table 5 contrasts, for a subset of countries with available information, the variations that arise from comparing quarterly values for the total of workers in each quarter with those calculated based on the aforementioned panels. That is, variations in average incomes of all workers (“quarterly comparison”) were compared with those of the incomes of those who continued to work in the same employment category (“panel”).

The finding is that those who continued working after the outbreak of the pandemic experienced, on average, a reduction in their real income between the first and the second quarter of 2020.

¹⁴ Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico, Paraguay and Peru.



International
Labour
Organization

#MyFutureOfWork

The finding is that those who continued working after the outbreak of the pandemic experienced, on average, a reduction in their real income between the first and the second quarter of 2020.

These falls were of the order of 1 per cent in Brazil and 6 per cent in the other three countries. This is in contrast to the increases experienced (except in Mexico) in average income of the total of those employed.

► **Table 5.** Change in average remuneration as arising from the comparison of quarterly values (all workers) and panel data (employed in both quarters). Selected countries in Latin America. I-IV quarters 2020

| | Argentina | | Brazil | | Costa Rica | | Mexico | |
|-----------------|------------------------|-------|------------------------|-------|------------------------|-------|------------------------|-------|
| | Comparison of quarters | Panel | Comparison of quarters | Panel | Comparison of quarters | Panel | Comparison of quarters | Panel |
| II 2020 / I2020 | 5,5 | -6,6 | 4,8 | -1,2 | 2,6 | -6,6 | -1,6 | -5,4 |
| IV20 / III20 | -8,4 | -2,6 | -4,0 | -0,2 | -0,2 | 3,4 | 1,0 | 1,9 |

Source: Author's own based on home surveys and employment surveys.

As can be seen in Table 5, during the second part of 2020, average labour incomes fell or were relatively stable (quarterly comparison). However, **the composition effect is also affecting average figures in the recovery phase, inversely to the previous effect inasmuch as, as has been stated, it was informal employment that had stronger growth.** Indeed, it is seen that the labour income of those who remained employed (panel) dropped less and also showed a greater increase in comparison to the average of all workers.

4.2 The reduction in the mass of labour income, particularly among the informal employed

One indicator that summarizes the joint behaviour of employment and individual labour income is the aggregate of per capita labour income of the set of workers (including those who did not work even a single hour).¹⁵ As was foreseeable, **between the fourth quarter of 2019 and the second of 2020, the per capita labour income dropped in all the countries included in Table 6. The magnitude of these alterations, which occurred in the space of two or three months, shows the depth of the crisis associated with the pandemic. The differences between countries are closely linked to those between the intensities with which total employment fell in the same period.**

¹⁵ This indicator was built as the sum of labour income of members of homes with valid income divided by the total number of members in said homes. It was necessary to calculate this indicator in order to be able to carry out an analysis comparable to 2019 in view of the increase in lack of responses to income in the home in 2020.

► **Table 6.** Change in total mass of per capita work income. Selected countries in Latin America.
IV quarter 2019 – IV quarter 2020

| | Total | Formal employed | Informal employed |
|------------------|-------|-----------------|-------------------|
| IV19/II20 | | | |
| Argentina | -21.7 | -10.2 | -51.8 |
| Brazil | -7.2 | -4.3 | -17.9 |
| Costa Rica | -22.9 | -16.0 | -44.5 |
| Mexico | -21.8 | -18.0 | -26.9 |
| Peru | -65.4 | -59.9 | -73.2 |
| II20/IV20 | | | |
| Argentina | 9.3 | -3.4 | 71.4 |
| Brazil | -0.1 | -1.2 | 4.7 |
| Costa Rica | 3.3 | -0.5 | 21.6 |
| Mexico | 23.3 | 18.4 | 30.9 |
| Peru | 115.3 | 81.9 | 185.8 |
| IV19/IV20 | | | |
| Argentina | -14.4 | -13.3 | -17.4 |
| Brazil | -7.2 | -5.4 | -14.0 |
| Costa Rica | -20.3 | -16.4 | -32.5 |
| Mexico | -3.5 | -3.0 | -4.3 |
| Peru | -25.5 | -27.1 | -23.3 |

Source: Author's own based on home surveys and employment surveys.

Also, **strong contractions** are seen in each country in the mass of income both from formal and informal jobs. However, consistent with what was mentioned previously in relation to the behaviour of employment in each employment category, the contraction between the fourth quarter of 2019 and the second quarter of 2020 was substantially higher in the second group than in the first.

The increase in employment between the second and fourth quarters of 2020 led to positive change (or reduced the drop) in the mass of per capita labour income. Despite this, the aggregate of income corresponding to the fourth quarter of the year is still below that for 2019. This is even more evident in income from informal jobs despite the fact of greater creation of this type of jobs from mid-2020.

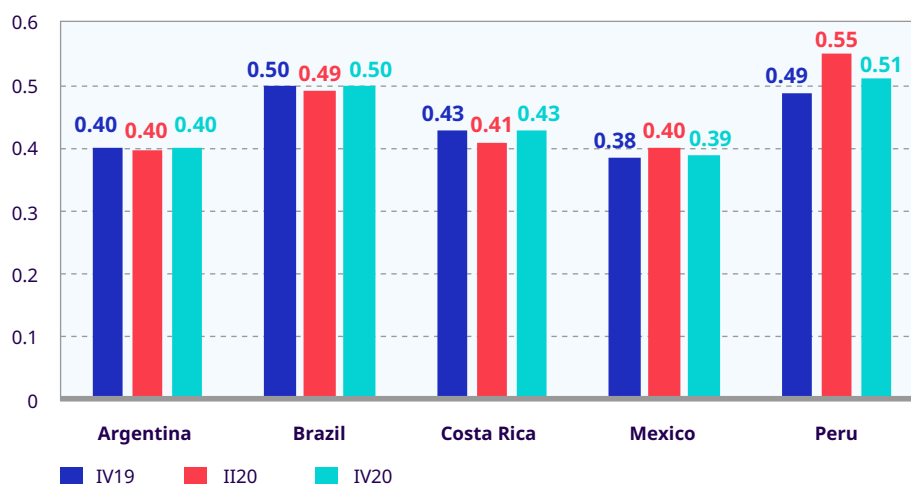
4.3 The unequalizing impacts of the crisis on labour and total family income

The inequality in the distribution of labour income (measured by the Gini coefficient)¹⁶ of all workers did not show significant changes between the end of 2019 and the end of 2020, except in Peru where it increased (Figure 18). This, however, is the net result of opposing movements. Although, on the one

¹⁶ The Gini coefficient is a synthetic indicator of inequality that takes values between zero and one. The higher the value, the greater the degree of inequality in the distribution under consideration.

hand, the gaps in labour income between some groups of the employed widened, the reduction in the proportion of informal workers – who are a significant part of those with low income – had an influence in that it reduced the degree of concentration. The changes in the opposite sense in the recovery phase also meant that levels of inequality, except for the case of Peru, remained without significant modification.

► **Figure 18.** Inequality (Gini coefficients) of employment income from the main occupation. Selected countries in Latin America. IV quarter 2019 – IV quarter 2020



Source: Author's own based on home surveys and employment surveys.

However, the overview changes when the distribution of income in the home is taken into account. Specifically, the fall in employment in the period when the initial impact of the crisis was felt was, as has been stated, particularly marked in informal jobs and for workers with lower qualifications. **This occupational dynamic was thus reflected in the increase in inequality of distribution of per capita labour income in homes between the fourth quarter of 2019 and the second of 2020.** The Gini coefficient grew in all the countries for which information is available and generally did so significantly, as can be seen in Table 7.

► **Table 7.** Inequality (Gini coefficients) of distributions of per capita family income from work. Selected countries in Latin America. IV quarter 2019 – IV quarter 2020

| | IV 2019 | | II 2020 | | IV 2020 | |
|------------|-----------|-----------------------------------|-----------|-----------------------------------|-----------|-----------------------------------|
| | All homes | Homes with positive labour income | All homes | Homes with positive labour income | All homes | Homes with positive labour income |
| Argentina | 0.547 | 0.471 | 0.62 | 0.489 | 0.554 | 0.471 |
| Brazil | 0.628 | 0.557 | 0.657 | 0.559 | 0.663 | 0.559 |
| Costa Rica | 0.562 | 0.477 | 0.648 | 0.511 | 0.6 | 0.488 |
| Mexico | 0.51 | 0.436 | 0.599 | 0.511 | 0.537 | 0.447 |
| Peru | 0.495 | 0.472 | 0.735 | 0.604 | 0.549 | 0.522 |

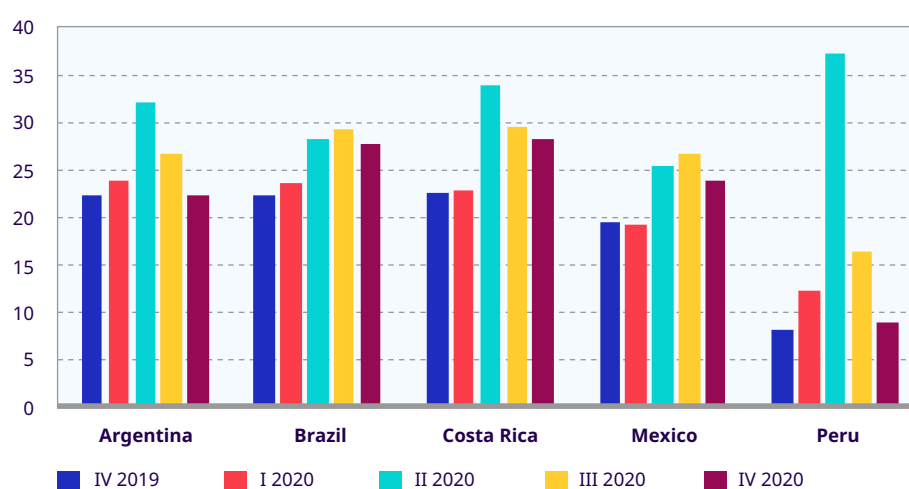
Source: Author's own based on home surveys and employment surveys.

An important factor that reflects the significant growth in inequality in the family is the rise in the proportion of homes without labour income, which can be deduced when noting in Table 7 that the Gini coefficients calculated exclusively in homes with positive amounts in labour income rose to a much smaller degree.

Further, Figure 19 shows a strong increase in the proportion of homes without income from work, particularly in the second quarter of 2020. Before the pandemic, for the countries shown, around 20 per cent of homes (except for Peru) had no labour income. In many of these, the sources of income were allowances or pensions and transfers. In the second quarter of 2020, the proportion of homes without income from work rose between 6 and 30 percentage points in these countries, reflecting the massive loss of jobs in the most critical months of the pandemic. In several countries, this proportion of homes continued to be higher in the fourth quarter of 2020 than a year before.

The increase in employment, particularly informal employment, and in remuneration in some countries, that was seen throughout the second part of 2020 led to a reduction in the concentration of labour income in the homes. Despite this, **the degree of inequality in per capita family labour income in the fourth quarter of 2020 in the countries considered was still higher than for the same period in 2019 (Table 7).**

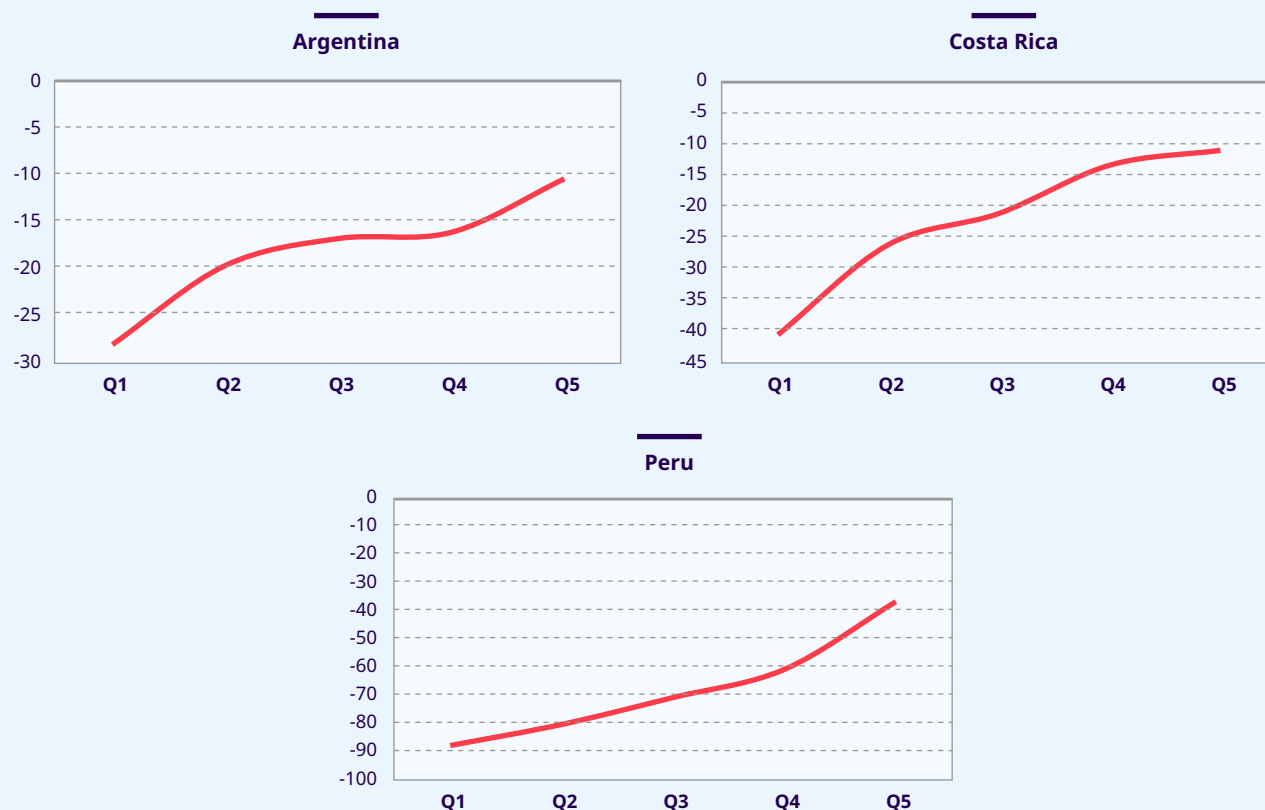
► **Figure 19.** Proportion of homes with no income from work. Selected countries in Latin America. IV quarter 2019 – IV quarter 2020



Source: Author's own based on home surveys and employment surveys.

Finally, given that the income from work represents about 80 per cent of total family income in the region, the inequality in this income also increased. In particular, the significant loss of informal jobs that worsened the distribution of labour income in the home also led to a greater concentration of per capita total income in the home. As an example, Figure 20 presents the variation in this income by income quintiles for Argentina, Costa Rica and Peru between the fourth quarter of 2019 and the second quarter of 2020. In all of them we can see a greater loss of monetary resources in the homes located in the lower part of the distribution, which is evidence of significant unequalizing impact.

► **Figure 20.** Percentage change between the IV quarter of 2019 and the II quarter of 2020 in real per capita family income by income quintiles. Selected countries in Latin America



Source: Author's own based on home surveys and employment surveys.

During the second half of 2020, when the economy and employment began to recover, the inequality of per capita distribution of total income in homes decreased as had the inequality corresponding to labour income in homes. However, in some countries in the region that did not fully compensate for the deterioration in distribution.

Throughout this process, the close link between labour informality, low income and inequality has become more pronounced in the region and the world. Similarly, the worsening in distribution together with the strong contraction in total mass of family income explain the significant increase in poverty in the region. In a recent report, ECLAC (2021) estimates that in 2020 the rate of extreme poverty in the region reached 12.5 per cent (11.3 per cent in 2019) and the rate of poverty reached 33.7 per cent (30.5 per cent in 2019). This would mean an increase of 8 million people in extreme poverty and 22 million people in poverty in 2020 in comparison to the previous year. These increases would have been even more marked were it not for the transfer policies implemented in the region. According to ECLAC, poverty would have climbed to 37.2 per cent and extreme poverty to 15.8 per cent in 2020.

Thus, the negative impacts of this crisis on average family income and distribution are not only significant setbacks in living conditions, but they also require, even more than in the past, the implementation and strengthening of policies to support and create more and better jobs, and strategies to guarantee income to the population as a whole, particularly those who have greater difficulties in the labour market. Informal workers, women and young people – particularly those

with low qualifications for work – , are groups that require coordinated interventions of a different nature, comprehensive and meeting the specifics of their labour issues.

5. Final thoughts

The COVID-19 pandemic has generated an unprecedented economic, health, work and social crisis in the world. Latin America and the Caribbean is one of the regions that has been most strongly affected. This has been evident in a previously unseen reduction in the level of economic activity and in employment, in marked deterioration in the production apparatus and closure of companies, particularly smaller ones, in significant contraction in average income and in increases in inequality and poverty.

Informal workers, women, young people, people with lower levels of qualifications, and the micro- and small enterprises have been disproportionately affected by the crisis, which has amplified the labour and social deficits that existed before the outbreak of the pandemic in the region.

The recent report of the ILO (2021c), foresees that worldwide, despite the gradual recovery as from the second semester of 2021 enabling the net creation of 100 million jobs, the projected level of employment for 2021 will continue to be lower than that recorded before the crisis. This increase will not be sufficient in relation to the growth in labour supply, and will result in rises in unemployment at least until 2022.

In Latin America and the Caribbean, where the impacts of the crisis have been deeper than for the world as a whole, and where in certain economies it is expected that the level of activity will recover to re-pandemic levels only in 2022 or 2023, the labour and social outlook is particularly worrying. This is even more true when taking into account that the weak growth in employment since mid-2020 has been led by precarious, informal jobs with low average income. The close link between informality and inequality that characterizes the region has become even more evident in this crisis. There is also a latent risk that growing transitions from formal to informal jobs will be seen, driving a process of labour informalization.

Given a context this critical, it is necessary to continue with some measures that were set in motion in 2020 in the region, but also to adopt a broader agenda of comprehensive wide-reaching human-centred policies. This requires underpinning a path of economic growth and stability that generates more and better jobs together with the reconstruction of the productive apparatus. This requires the creation of new enterprises and the growth in productivity of those that managed to survive in this crisis.

In this context, fostering policies of productive development and supporting micro- and small enterprises so that they reach a minimum level of efficiency and profitability for the creation of decent work are basic pillars of said policies. Policies to encourage “e-formalization” through agile, easy and cheap systems also contribute to this, so that new enterprises, many of them digital, and their workers, transition more easily to formality.



In this context, fostering policies of productive development and supporting micro- and small enterprises so that they reach a minimum level of efficiency and profitability for the creation of decent work are basic pillars of said policies.



International
Labour
Organization

#MyFutureOfWork

In addition, it is necessary to advance towards the strengthening and expansion of more permanent income guarantees and social protection floors, as well as structuring a comprehensive employment policy that accompanies or is part of the economic recovery strategy, particularly taking into account the new challenges associated with the digital transition.

Finally, without a set of coherent and far-reaching measures, the impacts of the crisis will be prolonged and will leave deep social and labour scars in the region for the long term. The dissimilar speeds of recovery of employment between different groups of workers and the growing levels of inequality and poverty can not only strongly hinder economic growth but also increase the degree of social discontent in the region.



Bibliography

- Amarante, V. y R. Arim** (2015). Desigualdad e Informalidad. Un análisis de cinco experiencias latinoamericanas, CEPAL-Ministerio de Asuntos Exteriores de Noruega.
- Beccaria, L.** (2021) "Pandemia, informalidad e ingresos", mimeo.
- Berg, J.** (2010) "Laws or luck? Understanding rising formality in Brazil in the 2000s". ILO Working Paper No 5. Brasilia: International Labour Office.
- Bertranou, F., y L. Casanova** (2013). Informalidad laboral en Argentina: Segmentos críticos y políticas para la formalización. Buenos Aires: Organización Internacional del Trabajo.
- CEPAL-OIT** (2014). "Formalización del empleo y distribución de los ingresos laborales", Coyuntura laboral en América Latina y el Caribe, Nro. 11, Santiago.
- _____ (2021) "Coyuntura Laboral en América Latina y el Caribe: trabajo decente para los trabajadores de plataformas en América Latina", Santiago.
- CEPAL** (2021) "La paradoja de la recuperación en América Latina y el Caribe Crecimiento con persistentes problemas estructurales: desigualdad, pobreza, poca inversión y baja productividad", Santiago de Chile.
- Chacaltana, J., J. Pérez and S. Quispe** (2021) "COVID-19, informality and employability", mimeo.
- FORLAC** (2014) "Evolución del empleo informal en Ecuador: 2009 – 2012". OIT, Lima.
- _____ (2016) "Políticas de formalización del trabajo doméstico remunerado en América Latina y el Caribe. OIT, Lima.
- Kacef, O.** (2021) "Las economías de América Latina y el Caribe después de un año de pandemia", mimeo.
- Maurizio, R. and G. Vázquez** (2019). "Formal salaried employment generation and transition to formality in developing countries. The case of Latin America", Employment Working Paper No. 251, Geneva.
- Maurizio, R., L. Beccaria and A. Monsalvo** (2021) "Labour Formalization and Inequality: The Distributive Impact of Labour Formalization in Latin America since 2000", Journal of Development and Change.
- Monsalvo, P.** (2021) "Impactos de la crisis por COVID-19 en los flujos laborales en torno a la informalidad en América Latina", mimeo.
- OIT** (2014) "Panorama Laboral Temático 1. Transición a la formalidad en América Latina y el Caribe", Lima.
- _____ (2018) "Políticas de Formalización en América Latina. Avances y desafíos", Salazar-Xirinachs, J. y Chacaltana, J. (eds.), Lima.
- _____ (2019) Panorama Laboral 2019, OIT, Lima.
- _____ (2020a) Nota técnica "Panorama Laboral en tiempos de la COVID-19. Impactos en el mercado de trabajo y los ingresos en América Latina y el Caribe. Segunda Edición", OIT, Lima.
- _____ (2020b) Panorama Laboral 2020, OIT, Lima.
- _____ (2020c) "COVID-19 and the English and Dutch-speaking Caribbean labour market A rapid assessment of impact and policy responses at the end of Q3, 2020", Office for the Caribbean - Port of Spain.
- _____ (2021a) Serie Panorama Laboral en América Latina y el Caribe 2021. Transitando la crisis laboral por la pandemia: hacia una recuperación del empleo centrada en las personas, Lima.
- _____ (2021b) Observatorio de la OIT: La COVID-19 y el mundo del trabajo. 7ª edición, Ginebra.
- _____ (2021c) "Perspectivas Sociales y del Empleo en el Mundo. Tendencias 2021", Ginebra.

----- (2021d) Serie Panorama Laboral en América Latina y el Caribe 2021. Desafíos y oportunidades del teletrabajo en América Latina y el Caribe, Lima.

----- (2021e) Las desigualdades y el mundo del trabajo Conferencia Internacional del Trabajo, 109.a reunión, Ginebra.

Soares, S. and J. Berg (2021) "Transitions in the labour market under COVID-19: Who endures, who doesn't and the implications for inequality", International Labour Review.

► **Box I. Panel data for analysis of the labour market in Latin America**

Panel data constitute a particular arrangement of information gathered under a specific sample design (rotating or total panels) that is characterized by having information from the same unit under study (for example, home or workers) at different points in time (consecutive or non-consecutive periods).

In the dynamic analysis of the labour market, panel data are particularly useful since they enable a study of the flow between the different labour statuses at two or more points in time. For example, panel data enable construction of a transition matrix which shows the frequency of transitions between different work states (which were exhaustively defined in advance). One possible classification of this kind is given by the following groups: formal employees, informal employees, non-employees, unemployed, people outside the labour force. The following transition matrix is given as an example:

| | <i>Condition</i> _{<i>i</i>, <i>t+s</i>} | | <i>Condition</i> _{<i>j</i>, <i>t+s</i>} | Total _{<i>t</i>} |
|--|--|------|--|----------------------------------|
| <i>Condition</i> _{<i>i</i>, <i>t</i>} | n_{i1} | ... | n_{ij} | N_i^t |
| ... | ... | ... | ... | ... |
| <i>Condition</i> _{<i>j</i>, <i>t+1</i>} | n_{j1} | ... | n_{jj} | N_j^t |
| Total _{<i>t+s</i>} | N_i^{t+s} | ... | N_j^{t+s} | N |

Where $i: 1 \dots j$ are the work statuses for the periods t and $t+s$. Each cell contains the absolute frequency of the transitions in status that occurred between the two periods (net flows). The margins of the table present the absolute distribution by status (stocks) for the initial or final period.

The transition matrices are, in turn, a basic input to estimate other labour indicators such as exit rates or probabilities of transition, entry rates or distribution of origin, rotation rates and retention rates.

Dynamic analyses, whether descriptive or explanatory, are a complement to rather than a substitute for static analysis. The transitions between different employment states enable other analytical angles and thus a better understanding of the observed data. For example, in a hypothetical situation where the unemployment rate rises, dynamic analysis will answer the question of what caused the increase, in terms of whether the final result corresponds to an increase in the entries to this state or that the exits were relatively lower, which led to an increase in the rate.

For public policy makers, having an analysis of the labour market that includes the dynamic aspect can be an important tool when designing strategies that aim at specific objectives.

Not all countries in Latin America have surveys that enable the construction of panel data. Argentina, Brazil, Costa Rica, Mexico, Paraguay and Peru are examples of cases that have the advantage of having home and/or employment surveys whose rotation schemes enable the construction of panel data for successive quarters (Argentina, Brazil,

► Continues...

Costa Rica and Mexico) and/or year-on-year (Peru and Paraguay). In this report, the panel have been constructed for various analyses of the impacts of the pandemic on the labour markets in these countries. In particular, transition matrices have been constructed to evaluate the change in entry and exit rates, both of total employment and of formal and informal jobs; the destinations of those workers who lost an informal job have been evaluated; and the changes in work and family income between 2019 and 2020 have been studied.

This type of dynamic approach thus enables a more exhaustive overview of the dynamics of employment and income before and after the start of the health crisis caused by COVID-19, which in turn contributes to informing better design of the policies that aim to mitigate its negative impacts.

► **Box II. Measuring informality in ILO¹⁷**

Current international recommendations regarding standards for measuring informality are found mainly in two normative instruments: The 15th ICLS (1993) resolution concerning statistics of employment in the informal sector and the 17th ICLS (2003) guidelines regarding the statistical definition of informal employment.

In general terms, the 15th ICLS approved a standardized proposal on the concept of the informal sector from the perspective of economic unity. The informal sector is defined as “units engaged in the production of goods or services with the primary objective of generating employment and incomes to the persons concerned”. In simple terms, in these economic units it is not possible to distinguish between the assets of the enterprise and those of the home of the owner.

At the 17th ICLS, this first definition was complemented by the inclusion of the concept of informal employment, which corresponds to a perspective based on the characteristics of the job. The definition considers that informal employment refers to all employed persons who are – in law or in practice – not covered by national labour legislation.

The operationalization of measuring informal employment is carried out according to the postulates of these recommendations and the practices in the countries, taking into account the classification in the status in employment (ICSE-93). According to this, in the cases of the occupational categories Employer, Own-Account and Members of Cooperatives, the job is informal if the enterprise is classified as part of the informal sector. This classification is in turn established using two evaluation criteria: the record of the economic unit and the existence of accounting systems. In the case of Auxiliary Family Workers and Salaried Workers, the definition of informal/formal employment does not depend on the characteristics of the enterprise. Auxiliary Family Workers by definition have an informal job. Salaried workers have an informal job if in their labour relationship by law or in practice, they “are not subject to national labour legislation and income tax or entitled to social protection and employment benefits” (Measuring informality: A statistical manual, ILO). In operative terms, in this latter case, the criterion used by the ILO and most countries in the region is access to social protection as a consequence of the labour relationship.

It is important to point out that the ILO was mandated by the 20th ICLS (2018) to review the standards of the statistics of informality. The review seeks to tackle the issues and unresolved problems in current standards and, at the same time, align them with the latest developments in standards issuing from the 19th (2013) and 20th ICLS. To that end, a Working Group was set up at global level; eight countries in the region are participating and the group is currently working towards presenting a revision proposal to the 21st ICLS which will take place in 2023.

This report will analyze informal employment (informal work) both among salaried workers and the total of workers.

17 This box was prepared by Marcela Cabezas, Regional Specialist in Statistics, ILO Regional Office for Latin America and the Caribbean.

► **Box III.** The use of administrative records for the analysis of formal employment in Latin America

The administrative records of social security are a source of information that complements the data from the surveys in homes and/or at work and are increasingly relevant in the analysis of formal employment in the region. Specifically, they make it possible to count the number of formal employees and, in some cases, offer long-term series for analysis, as well as break downs of interest that are not always statistically possible based on the aforementioned surveys. At the same time, the administrative records provide information that is in some cases more up-to-date than that of the surveys of the labour force, particularly if the records gather data quarterly or annually. Nevertheless, it is important to highlight that there are limitations to their use for statistical purposes. Firstly, this source may take some months in certain countries to provide definitive records since companies have a certain amount of time in which to report the payroll of workers they are contributing for, which means there is a lag in showing the short-term dynamics in employment. Also, the databases and their samples are not subject to suitable treatment for use for statistical purposes since they are built for tax and/or audit objectives. Lastly, it is not always possible to have total information about formal employment; for some countries only a subset is available, such as formal employees of private companies.

Based on the available information, this report analyzes the series of formal employment for a set of countries in Latin America. In the case of **Argentina**, the records used are the administrative records of the total number of employees in the private sector, in private homes and in the public sector in the Sistema Integrado Previsional Argentino (SIPA), of public sector workers in provinces where pension funds have not been transferred to SIPA and contributors to other regimes. For **Brazil** the available series corresponds to formal employment in the private sector, according to CAGED and Novo CAGED records. In **Chile** the series chosen corresponds to contributors to the pension system, which includes dependent workers in the private and public sectors. For **Costa Rica** the series chosen corresponds to salaried workers in the public and private sectors insured in the health service. For **Mexico** the series used is that of salaried jobs in the private sector recorded in the Instituto Mexicano del Seguro Social (IMSS). For **Paraguay** the available series corresponds to salaried jobs that contribute to the Régimen General del Instituto de Previsión Social (IPS), mostly from the private sector. For **Peru** the selected series was provided by the Ministerio de Trabajo y Promoción del Empleo (MTPE) corresponding to the number of dependent jobs in the private sector declared by employers and insured in the Seguro de Salud y de Pensiones. Finally, in **Uruguay** the series used corresponds to jobs declared in dependent payrolls in the public and private sectors, which is available until December 2019, so it was continued to the present with the collection series corresponding to jobs that contribute to the Banco de Previsión Social (BPS).



International
Labour
Organization

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



#MyFutureOfWork