

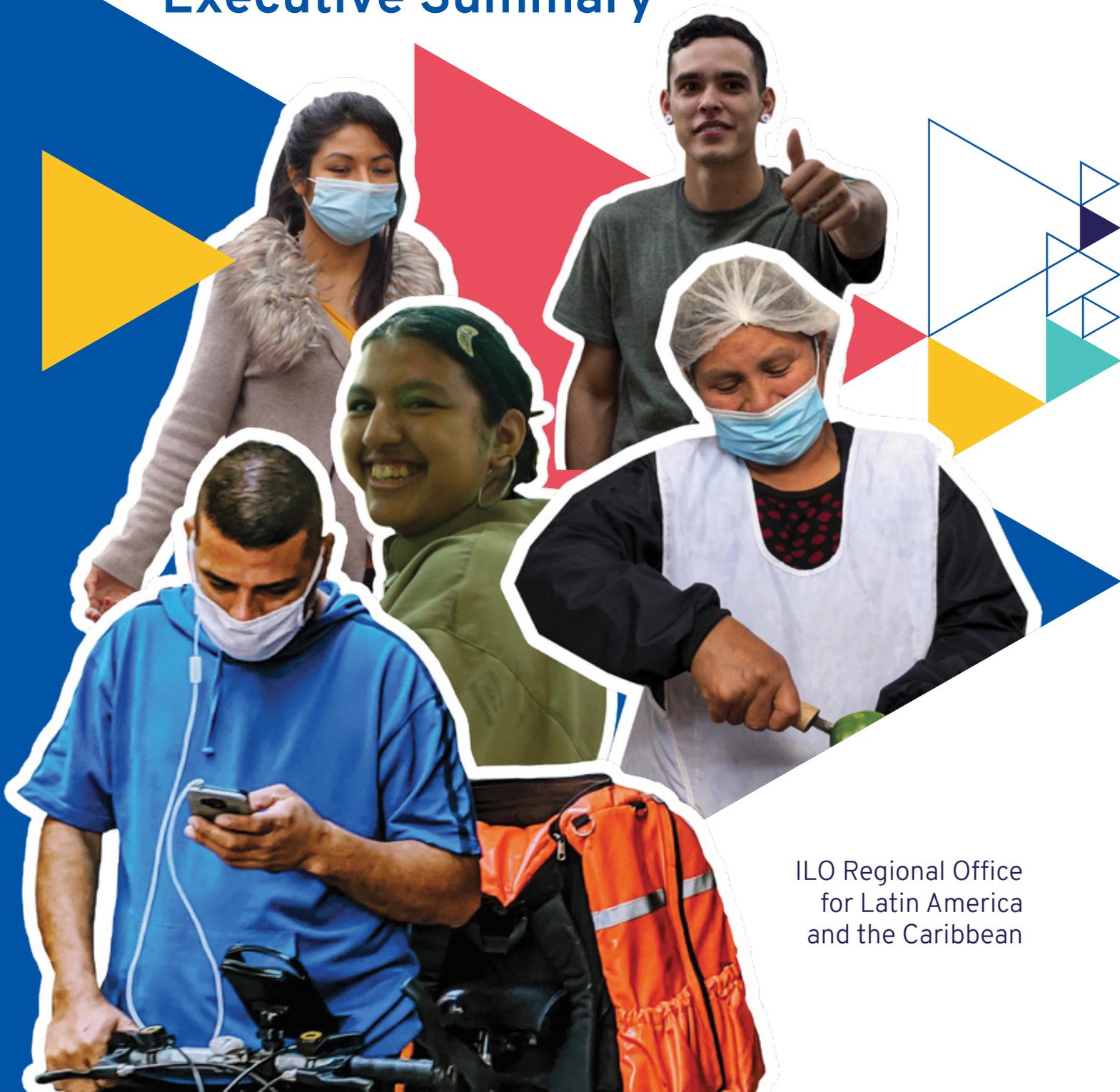


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# ▶ 2022 LABOUR OVERVIEW

## Latin America and the Caribbean Executive Summary



ILO Regional Office  
for Latin America  
and the Caribbean



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Latin America  
and the Caribbean

## Executive Summary



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## ► Foreword

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The sharp slowdown in economic growth projected for 2023, together with limited fiscal space and high levels of inflation, make for a highly complex and uncertain labour outlook for Latin America and the Caribbean.

In this context, it is urgent to implement and strengthen policies that contribute to the creation of formal employment and the sustainability of labour income.

Three years after the onset of a pandemic that caused a deep crisis in the labour markets of Latin America and the Caribbean, the good news is that the economic recovery has allowed employment to return to 2019 levels.

The unemployment rate of 7.2 per cent that we had at the end of 2022 is significantly lower than in 2019, when it was 8 per cent. However, it is important to note that this was achieved in part because, unlike the employment rate, the regional labour force participation rate is still slightly lower than it was before the COVID-19 pandemic.

Due to the low growth forecast for the economy, unemployment will most likely rise (albeit minimally) in 2023.

At the same time, the countries of the region will have to face the consequences of a period of high inflation and its impact on wages, which are the main source of income for Latin American and Caribbean families. In addition, it will be necessary to closely monitor the evolution of informality, an endemic feature of our labour markets that brings with it job instability, low incomes and lack of social protection.

This edition of the Labour Outlook corroborates that employment recovery after the pandemic crisis

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has been driven by the recovery of informal jobs, although the share of formal occupations in total employment has been growing. Some countries are already recording higher informality rates than in 2019. Currently, informal employment affects one out of every two workers in the region.

The evolution of employment has shown different intensities between men and women. On average, women have recovered faster after the abrupt loss of female-dominated occupations at the most critical moment of the crisis. However, very dissimilar behaviors are also observed within this group. In particular, women with lower levels of qualification have lagged far behind in this recovery, even when compared to men with the same low level of education.

Although the recovery of employment among young people has been more intense than among adults, the structural deficits they experience in the region's labour markets have persisted. The average unemployment rate for youth is almost 16 per cent. But some countries in the region exhibit significantly higher rates than this, reaching values above 30 per cent. In addition, the informal employment rate among young people in the region is around 60 per cent, significantly higher than the 47 per cent rate among adults.

On the other hand, this Labour Outlook 2022 report addresses two special topics.

The first is the “working poor phenomenon,” which means that people can live in poverty even though they have a job, and even if it is a formal job. A growth in the percentage of the working poor is observed, while at the same time a close relationship with labour informality is evident.

Informal workers are 3 to 4 times more likely to be poor than formal workers, while accounting for 70 to 90 per cent of the total working poor. This suggests that the most pressing problem for the region is the quality of employment and the insufficient labour and total income generated by workers and their families.

The second special topic addresses the analysis of policies implemented by Latin American and Caribbean countries to sustain employment and incomes during the three years since the beginning of the pandemic.

These strategies have contributed significantly to reduce the negative impacts of the crisis while identifying good practices and advancing institutionally in their design and implementation. However, important challenges remain in terms of their insufficient scope and coverage and a weak linkage with labour policies.

The region demands, more than ever, strong measures to move firmly on a path of greater social justice and less inequality, where decent employment is the norm and not the exception, and where work is a means to live in dignity and overcome poverty.

**Claudia Coenjaerts**

ILO Regional Director *a.i.*  
for Latin America and the Caribbean

## ► Executive Summary

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### International economic context characterized by slower growth and higher inflation rates poses complex challenges for the region

- Although the global economy began to recover once the worst of the health crisis was over, the restrictions that continued to impede the normal evolution of the supply of goods, together with the increase in demand driven by the economic recovery, resulted in higher inflation rates.
- The inflationary acceleration, together with the depletion of fiscal spaces and the increase in indebtedness, led countries to adopt contractionary fiscal measures.
- This scenario, which already included a slowdown in global growth, worsened in early 2022 with Russia's invasion of Ukraine. Projections for 2022 were revised to account for the deteriorating growth and inflation outlook, opening the space for a return of the term "stagflation" which describes a situation characterized by stagnation or even contraction in most economies along with the rise in inflationary rates to levels not observed in forty years.

### The economies of the region continued to grow at rates similar to historical averages despite the acceleration of inflation and the contractionary bias of macroeconomic policy

- The year 2022 was relatively good for the region's economies when compared to what was observed globally. The economies of Latin America and the Caribbean continued on the recovery path which began in 2021, as the effects of the health emergency linked to the COVID-19 pandemic were being left behind.
- The region is estimated to have grown between 3.7 per cent (for ECLAC) and 3.9 per cent (for the IMF) in 2022 - rates equivalent to about half those of the previous year but still higher than the region's historical growth rates.
- Thus, the region as a whole and most of its countries exceeded 2019's activity levels in 2022, and in many cases earlier than anticipated.
- As with the rest of the world, one of the features of the region's post-pandemic macroeconomy is the increase in inflation rates.
- Additionally, a significant slowdown in growth is projected for 2023, with average rates for the region reaching 1.3 per cent, according to ECLAC, and 1.8 per cent, according to the IMF.
- These projections are subject to a significant level of uncertainty associated with the international context that will be shaped by both economic events and others which originate in situations outside the economy. Among the former are the increase in inflation rates and the measures that governments are taking to attack this problem, while among the latter we have to consider the

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impact of the war between Russia and the Ukraine and also the possibility of new outbreaks of the COVID-19 virus including the measures adopted to contain it, especially in China.

- ▶ A complex short-term macroeconomic scenario for the economies of Latin America and the Caribbean is emerging, characterized by low economic growth rates, limited fiscal space, high inflation rates, high levels of indebtedness and lower liquidity in international financial markets.

## Labour market dynamics in Latin America and the Caribbean in the conjunction of multiple crises: full recovery of employment and partial recovery of labour supply

- ▶ Three years after the onset of the COVID-19 pandemic, the regional employment rate returned to pre-crisis levels. This has been observed since the second quarter of 2022 when compared to the same quarter of 2019.
- ▶ In contrast to the employment rate, the regional labour force participation rate continues to be slightly lower than pre-pandemic records. As a result of the full recovery of employment and the partial recovery of labour supply, the unemployment rate is significantly lower than in 2019.
- ▶ In the third quarter of 2022, the regional employment rate was 58.4 per cent, the labour participation rate was 62.7 per cent, and the unemployment rate was 6.9 per cent. Three years earlier, in the third quarter of 2019, the employment rate was 58.2 per cent, the economic participation rate was 63.5 per cent and the unemployment rate was 8.4 per cent.
- ▶ The total recovery of the regional employment rate does not reflect the situation in all the countries considered: in 9 out of 15 countries the employment rate in the third quarter of 2022 was still lower than the value recorded three years earlier.
- ▶ The labour participation rate in the third quarter of 2022 exceeded the levels of the third quarter of 2019 in only 2 of the 15 countries considered. In some of the remaining countries the labour supply gap amounts to 3 percentage points.
- ▶ An average unemployment rate of 7.2 per cent is projected at the end of 2022.

## Uneven recovery of salaried and non-salaried employment

- ▶ In comparing the first three quarters of 2022 with the same period of 2021, a greater dynamism of salaried employment stands out in the region, with an average increase in the order of 8 per cent as compared to an increase of 5 per cent in non-salaried employment.
- ▶ However, between 2019 and 2022 the net growth of non-salaried jobs (5.1 per cent) was higher than that observed among salaried jobs (4 per cent).
- ▶ As a result, the proportion of self-employed reached 29 per cent of total employment at present - on average - in the countries considered.
- ▶ This result may be worrisome to the extent that it is a consequence of workers starting self-employment activities as a refuge mechanism in the face of the insufficient creation of dependable jobs in the private sector; even more so, considering that the vast majority of self-employed jobs exhibit very high levels of informality and labour precariousness.

## Recovery led by informal occupations, but with an increasing contribution of formal jobs to total employment growth

- Since the mid-2020s, the recovery in jobs has been driven by the growth of informal occupations.
  - Informal employment has accounted for between 40 and 80 per cent of net job gains between the third quarter of 2020 and the third quarter of 2022.
  - However, the contribution of informal job growth has been declining since the beginning of the recovery. The simple average of the contribution of informal employment among 9 countries considered in the fourth quarter of 2020 was approximately 90 per cent, and about 60 per cent in the third quarter of 2022. In part, this has been associated with the dynamism of private formal employment.
- Informal employment has accounted for between 40 and 80 per cent of net job gains between the third quarter of 2020 and the third quarter of 2022.
- Despite these positive behaviours at the regional level, in several countries in the region the informality rate in the second or third quarters of 2022 was similar or even higher than that observed in the fourth quarter of 2019. This is verified in half of the countries considered, even among those that have not recovered total pre-pandemic employment.
  - The regional informality rate (average of 11 countries) is almost 50 per cent, close to the 2019 rate as well as to that observed a decade ago.
  - If enough formal jobs are not generated for the return of those who remain outside of the labour force, there is a risk of persistent increases in the rate of labour informality. This is even more critical in the current context of strong uncertainty and slow economic growth. Hence the importance of implementing or scaling up policies, not only to sustain formal employment, but also to support the creation of new jobs of this type in the region.

## Stronger job recovery among women and reduction of gaps

- At the regional level, the recovery of female employment has been more intense than that of male employment. While for women the employment rate increased by 24.4 per cent between the second quarter of 2020 and the third quarter of 2022, for men this increase was 18.8 per cent.
- This favourable dynamic meant that in the third quarter of 2022 the employment rate for women exceeded the rate for the same quarter in 2019 by 1 per cent while the employment rate for men was the same in both quarters.
- Similarly, the recovery in women's labour participation relative to that of men was also stronger (19 and 13 per cent respectively). This meant that although the economic participation rate in the third quarter of 2022 was still lower than the 2019 record, the gap was larger for men (-1.4 per cent) than for women (-0.9 per cent).
- In addition to the recovery of jobs in the economic sectors most heavily hit by the pandemic and with a strong presence of women, the greater recovery of women's labour supply was potentially associated with the gradual ease of difficulties in reconciling paid work with family responsibilities when educational and care services, that had been profoundly altered by the health measures of social distancing and the reduction of people's mobility, reopened.

- ▶ These dynamics allowed that after the initial increase in the gap in the employment rate and in the gap in the participation rate between men and women, both indicators returned to pre-pandemic values.
- ▶ However, despite this favourable behaviour, labour gaps by gender are persistent and continue to be very high. In the third quarter of 2022, the regional female labour participation rate was 51.8 per cent - 23 percentage points lower than that of men (74.5 per cent). The employment rate for women was 47.5 per cent - almost 23 percentage points lower than that of men (70.3 per cent). The unemployment rate, meanwhile, was 8.4 per cent and 5.7 per cent, respectively.
- ▶ The aggregate evolution of employment by gender averages, however, registered divergent dynamics within each group according to the educational level of workers.
- ▶ In particular, in the third quarter of 2022, women with the lowest educational level continued to be significantly further away from the employment level of the same quarter in 2019 (-15 per cent) as compared to any other group of the employed. On the other extreme, the employment rates for middle- and higher-educated men were the same values as those observed three years earlier.
- ▶ Construction and domestic service are activities that show two extremes of the distribution of employment by sex, the first highly masculinized and the second highly feminized. Both sectors demand low-skilled labour. While the first sector is among the three with the highest growth in 2019, domestic service is among those with the lowest dynamism. Therefore, these divergent sectoral dynamics account, in part, for the greater recovery of low-education male employment compared to women with the same level of qualification.
- ▶ It is imperative to adopt labour policies with a gender perspective to eliminate barriers for entry into the labour market and expand the range of job opportunities for women in general, with particular attention to those with lower qualifications.

## Stronger recovery of employment among young people

- ▶ During the recovery phase young people returned to employment faster than adults. The regional employment rate of young people in the third quarter of 2022 was 3 per cent higher than in the same period of 2019, while that of adults registered a drop of just over 2 per cent.
- ▶ However, the regional (9 countries) youth employment rate in the third quarter of 2022 was 41.8 per cent, 20.4 percentage points lower than that of adults (62.2 per cent).
- ▶ Also, although the average youth unemployment rate was declining after peaking at 24.5 per cent in mid-2020, it remains very high at 15.8 per cent. However, this rate has declined by almost 4 percentage points between the third quarter of 2019 and the same period of 2022.
- ▶ The regional informality rate among youth, on the other hand, is around 60 per cent, significantly higher than the 47 per cent recorded among adults.
- ▶ In addition, the difficulties experienced by young people in the region's labour markets persist. They face greater labour intermittency due to the intense inflows and outflows of the labour force. Greater occupational instability, in turn, is associated with their greater prevalence in informal, precarious, low-skilled activities.
- ▶ These challenges may be exacerbated by technological change. The pandemic highlighted the digital divide that exists between regions and countries; and within countries, among young people with different educational, qualification and socioeconomic levels, as well as between young people living in urban and rural areas.
- ▶ In this context of growing demand for digital skills, vocational training is essential to reduce the digital and skills gap among young people, as well as to ensure their increased employability and access to decent jobs.

## Telework: three years into the pandemic, incidence remains higher than in 2019

- The proportion of people engaged in teleworking continues to be higher than the values recorded prior to the outbreak of the pandemic in the region.
- Formal workers, with higher qualifications, women, middle-aged and in professional, technical and managerial occupations, are those who three years after the outbreak of the pandemic continue to make more frequent use of this modality.
- With the acceleration of digitalization processes and the use of information technologies, it is plausible to expect that hybrid forms between face-to-face work and teleworking will continue to be more common than in the past.
- This is why it is necessary to ensure the protection of labour rights, the health and safety of workers under this modality, as well as identify good practices that allow companies to take productive advantage.

## The loss of the purchasing power of average wages and minimum wages in the face of inflationary acceleration

- The recovery of real labour income has been slower since 2021. In a broad set of countries, the gap between nominal average income and real income has been widening significantly as a consequence of inflationary acceleration and its negative impact on the purchasing power of wages.
- In almost all of these countries real average hourly wages are lower than those recorded before the onset of the pandemic.
- Higher inflation also impacted real minimum wages. In 9 out of 17 countries in the region the real value of this labour institution in the second half of 2022 was lower than the value in the first half of 2019. In some of them the loss of purchasing power amounts to 6 / 7 per cent, even 10 / 11 per cent. In 4 countries the real minimum wage is similar to that observed three years ago. Therefore, in only 4 of the 17 countries is the real value higher than in that year.

## Insufficient recovery of aggregate labour income, but with improvements in distribution

- Total real labour income in the third quarter of 2022 had not exceeded the values at the end of 2019 in several of the region's countries, even in those where total employment had reached pre-pandemic values.
- Consistent with this, in the second/third quarter of 2022, in almost all countries the percentage of households without labour income exceeded those recorded prior to the onset of the pandemic.
- After the peak values recorded in the second quarter of 2020, total household income inequality has declined.
- This has been the result of different behaviours in its sources. During the contractionary phase, the dynamics of the labour market were strongly inequitable. However, the public transfer policies implemented, in particular during 2020, aimed primarily at households in vulnerable situations, and made it possible to reduce (or reverse) the negative impact stemming from the contraction in employment and labour income.
- Things changed in the recovery phase. Employment growth allowed a significant set of households located at the bottom of the distribution to increase their labour income which resulted in a reduction of total inequality.

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- ▶ However, the progressive withdrawal of public transfer policies implemented in the face of the crisis due to the pandemic made the behaviour of this source unequal or less equalizing than in the previous phase.

### Prospects for the region's labour markets: complex scenario that demands the implementation and strengthening of different types of policies

- ▶ The average unemployment rate for 2022 is projected to be 7.2 per cent, with a range between 7 per cent and 7.3 per cent, and to remain almost unchanged in 2023 in a range of between 7.2 per cent and 7.5 per cent
- ▶ Additionally, in the context of a sharp slowdown in economic growth, job creation may continue to be skewed toward the generation of informal jobs.
- ▶ The loss of the purchasing power of labour income means that the “working poor phenomenon” - meaning that people can live in poverty even if they have a job - is growing in the region. Even more so considering that employment levels in several countries have returned to pre-pandemic values or are close to them, but the aggregate of real labour and family income is still lower than at that time.
- ▶ Thus, a highly complex scenario is projected which demands the implementation and strengthening of different types of policies.
- ▶ On the one hand, the region needs policies to sustain and create more and better employment, in particular, formal jobs. On the other hand, the inflationary context demands the strengthening of labour institutions, like minimum wage and collective bargaining.
- ▶ Social dialogue is key, taking into account the needs and possibilities of workers and employers. This is even more relevant in a changing context in the organization of work and when measures are needed to close persistent labour gaps in order to enable the positive effects of digital transition, demographic transition and just transition.
- ▶ Finally, it is necessary to make strong progress in providing income guarantees for those who are most affected by the loss of purchasing power, together with active labour market policies.

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