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# **Employment Situation in Latin America and the Caribbean**

Universal social protection in labour  
markets with high levels of informality



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*The Employment Situation in Latin America and the Caribbean* is a twice-yearly report prepared jointly by the Economic Development Division of the Economic Commission for Latin America and the Caribbean (ECLAC) and the Office for the Southern Cone of Latin America of the International Labour Organization (ILO), headed by Daniel Titelman and Fabio Bertranou, respectively. Work on the document was coordinated by Gerhard Reinecke, Senior Expert on Employment Policies of ILO, and Jürgen Weller, Chief of the Employment Studies Unit of the Economic Development Division of ECLAC.

The first section of this report was prepared by Jürgen Weller, while the second was based on a text by Oscar Cetrángolo, Professor at the University of Buenos Aires and ILO Consultant, Luis Casanova, Technical Support Officer to the Decent Work Programme of the ILO Country Office for Argentina, and Fabio Bertranou. Simone Cecchini, Sonia Gontero and Andrés Marinakis provided valuable comments on draft versions of the report.

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## Foreword

In 2015 the labour market in Latin America and the Caribbean will feel the impacts of still-lacklustre economic growth in the region, giving rise to concerns that the progress made in the past few years could come to a halt or even be reversed.

For much of the 1990s and the early years of the current decade, Latin America and the Caribbean made great strides in reducing poverty and improving income distribution. Remarkable progress was made in reducing poverty (which fell from 43.9% in 2002 to 28.1% in 2012), and the region succeeded in improving income distribution in a global context of increasing inequality.

Labour market trends were the main driving force behind these achievements; strong job creation, especially in wage work, played an instrumental role in reducing poverty, while smaller gaps in labour earnings improved income distribution.

Public policies, both concerning labour (in respect of minimum wages, formalization and labour inspection) and in other areas (expanding coverage of social protection systems and education), made an invaluable contribution to this progress.

Nonetheless, in 2014 an estimated 167 million people in Latin America and the Caribbean did not have enough income to lift themselves above the poverty line. Our region remains the most unequal in the world. What is more, the economic climate has worsened, with regional growth gradually tailing off since 2011. This has compromised the region's ability to generate quality jobs and squeezed the fiscal space available to countries to increase social spending with a view to further reducing poverty and inequality. In recent years progress in combating (income) poverty has therefore hit a plateau. Similarly, precious few improvements have been achieved in income distribution.

The first section of this new joint report shows that the job performance of the region in 2014 was attributable both to progress made in labour markets in previous years and to sluggish economic activity over the past 12 months. Consequently, lean regional job creation—a result of low demand for labour from companies—neither pushed unemployment up nor forced real wages down. Indeed, the regional open unemployment rate fell once more, from 6.2% in 2013 to 6.0% in 2014.

This lower unemployment rate reflects a steep fall in the urban participation rate in the region's three largest economies; a sharper fall than studies of the economic growth-labour supply link would have suggested was likely.

This report puts forward the hypothesis that this performance owes much to previous labour developments that have made many households more resilient. Consequently, whereas in previous times of poor economic growth and weak labour demand households would send their secondary workforce (especially young people) into the labour market, with many of these young people joining the informal sector, in 2014 no such countercyclical labour supply behaviour was seen, with both participation and employment rates falling more sharply than in previous low-growth episodes. As this report shows, however, structural weaknesses remain in the region's labour markets, and the performance seen in 2014 is unlikely to be repeated if growth remains weak for a lengthy period, as is now forecast to occur.

The second section discusses in detail the challenge surrounding a structural issue standing in the way of further progress in reducing poverty and inequality: how to extend social protection in a context of high informality.

From a rights perspective, ensuring universal protection is essential for further progress in building societies which strive to achieve equality as the overriding objective of their development strategies.

While progress has been made in formalizing employment, leading to the expansion of contributory components of social security, the countries of the region cannot rely solely on this form of social protection. Complementary strategies also need to be drawn up, and ILO and ECLAC have made valuable contributions to debate on this issue.

The countries of the region have taken steps to expand access to the various components of social protection but ensuring universal access requires integrating the contributory and non-contributory components, which means overcoming major challenges in terms of institutional design and financing, among other areas.

The labour market situation in 2015 is not expected to be particularly conducive to progress in reducing poverty and inequality. Regional economic projections for 2015, at 1.0%, show growth similar to the 2014 rate, which is likely to be reflected in weak wage employment creation.

Although the situation will differ from country to country, sluggish job creation in 2015 is expected to take regional unemployment back up slightly, to 6.2%, the rate posted in 2013.

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# I. Labour market performance in Latin America and the Caribbean in 2014

## Introduction

The labour market situation in Latin America and the Caribbean was shaped by a combination of two factors in 2014.<sup>1</sup> The first was a number of traits arising from its positive performance over the preceding 10-year period, which left the region with high rates of employment, an unemployment rate that was very low by historical standards, significant progress in formal job creation—including opportunities in the formal job market for the relatively less educated—and fairly low levels of underemployment, as well as real wages that were rising steadily, albeit only moderately. In one way or another, all these traits fed into the steep fall in poverty rates and the reduction of inequality among households in that period. The second factor was the region's economic situation. Growth had

generally been slackening since 2011 and posted a meagre rate of 1.2% in 2014, which represented a standstill in per capita GDP and inevitably impacted on the labour market.

The first factor (the cumulative gains of the preceding period) prevented the second factor (the year's unfavourable economic conditions) from impacting as harshly on 2014 labour performance as it might have done after a lengthy low-growth period with higher rates of unemployment and underemployment and stagnating wages. Although the sluggish economic conditions did take some toll on labour indicators (particularly on the creation of wage and registered employment), many of them remained relatively good. Specifically, the regional unemployment rate, underemployment and real wages continued to show reasonable strength.

## A. Sharp fall in participation at the regional level

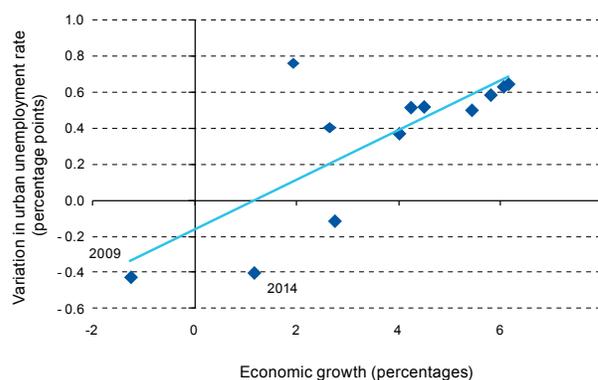
As the Economic Commission for Latin America and the Caribbean (ECLAC) and the International Labour Organization (ILO) have stated previously, the hallmark of the region's labour markets in 2014 was a drop in the urban open unemployment rate, despite the low rate of economic growth (ECLAC/ILO, 2014b; ECLAC, 2014b; ILO, 2014b). This fall, from 6.2% in 2013 to 6.0% in 2014, was not, however, the result of especially strong job creation—the urban employment rate actually fell between 2013 and 2014, from 56.8% to 56.5%— but of a steep drop in the participation rate, which came down more sharply than employment, from 60.6% to 60.1%.

In order to explore what lies behind these sharp falls in urban participation and employment, a number of figures are presented below to track how these rates have varied in relation to the economic growth rates over the recent period. Specifically, the fall in both rates in 2014 was larger than might have been expected on the basis of the pattern of the preceding decade, which is represented by the trend lines.

The trend line in figure I.1 shows the employment rate behaving highly procyclically at the regional level. This is no surprise, given that the largest category of employment is wage work, whose numbers depend largely on labour demand from firms, which make hiring decisions based on their expectations

and production plans. The low economic growth of 2014 led to fall in the urban employment rate—a steeper fall, in fact, than the trends of recent years would have suggested. The urban employment rate posted a drop similar to that of 2009, despite a difference of more than two percentage points in economic growth. The factors that could be have led to 2014 being such an outlier year are discussed later.

Figure I.1  
LATIN AMERICA AND THE CARIBBEAN: ECONOMIC GROWTH AND VARIATION IN URBAN UNEMPLOYMENT, WEIGHTED AVERAGE, 2003-2014  
(Percentages and percentage points)

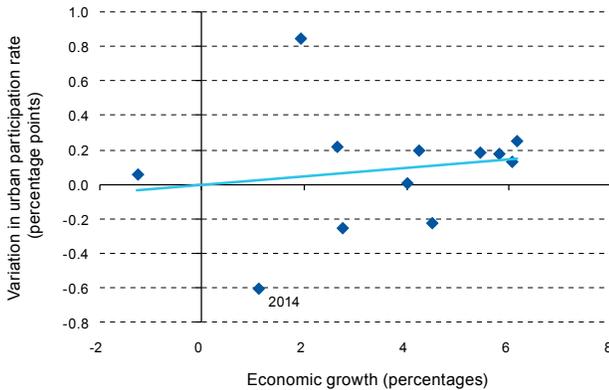


Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of official information from the countries.

<sup>1</sup> This report describes the regional situation, which does not necessarily coincide with that of each individual country.

While the behaviour of the regional urban employment rate was clearly procyclical, the regional participation rate shows a much less clearly defined performance in relation to variations in economic growth. This is because the participation rate behaves differently in the various countries of the region: procyclically in some, unclear in terms of cyclicity in others and, in a third group, rather more countercyclically.<sup>2</sup> The overall outcome is a slightly procyclical trend at the regional level, although with wide variations. Be that as it may, as shown in figure I.2, the urban participation rate fell much more sharply at the regional level than might have been expected on the basis of preceding trends, veering further from the trend line than the employment rate does.

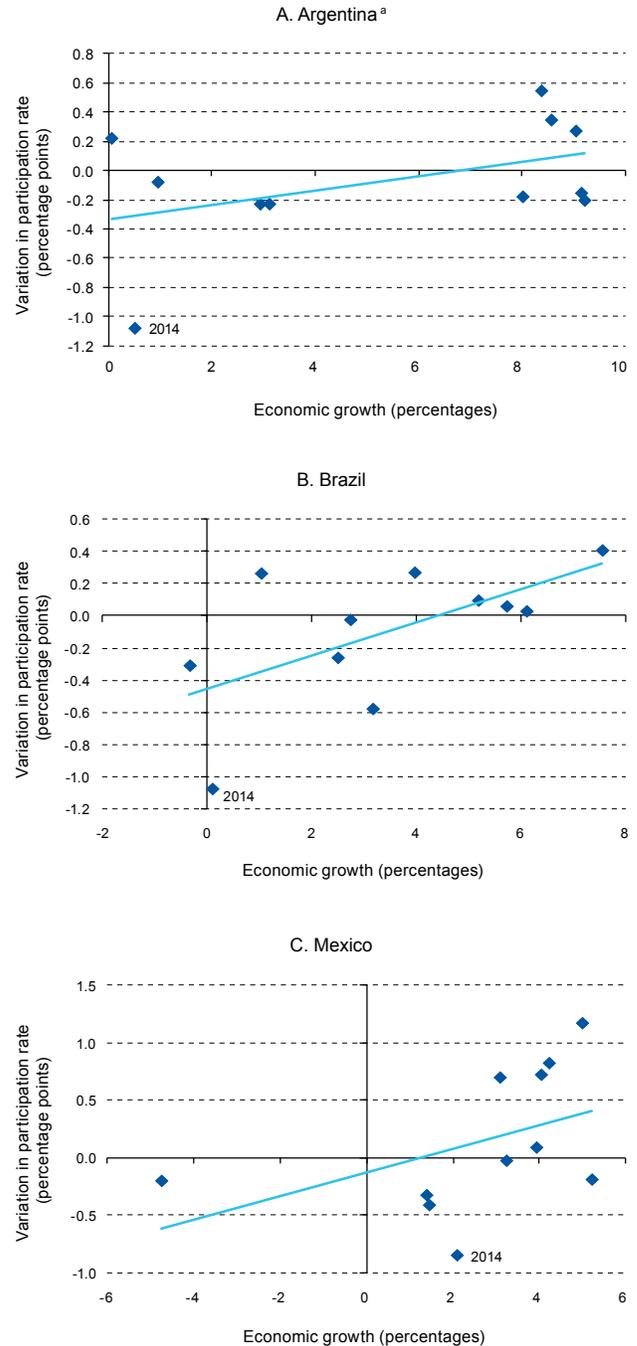
Figure I.2  
LATIN AMERICA AND THE CARIBBEAN: ECONOMIC GROWTH AND VARIATION IN THE URBAN PARTICIPATION RATE, WEIGHTED AVERAGE, 2003-2014  
(Percentages and percentage points)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of official information from the countries.

This pattern was not common to all the countries in the region, however, and reflects developments in the three largest economies of Latin America: Brazil, Mexico and Argentina. As shown in figure I.3, in these three countries urban participation tended to behave procyclically, although with wide variation. Urban participation fell unusually heavily in all three countries in 2014, much more than recent trends would have suggested. These falls in urban labour participation (1.1 percentage points in Argentina and Brazil and 0.8 percentage points in Mexico) were similar for both sexes in Brazil and Mexico (a slightly larger drop for women in both cases) but larger for men in Argentina.<sup>3</sup>

Figure I.3  
ARGENTINA, BRAZIL AND MEXICO: ECONOMIC GROWTH AND VARIATION IN THE URBAN PARTICIPATION RATE, 2004-2014  
(Percentages and percentage points)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of official information from the countries.

<sup>a</sup> The urban participation rate is expressed here as a percentage of the total population.

<sup>2</sup> See Machinea, Kacef and Weller (2009).

<sup>3</sup> The data for Argentina shown in figure I.3 correspond to official information on the participation rate expressed as a percentage of the total population. They therefore differ from the data in annex table A1.2, where the rate is expressed as a percentage of the working-age population.

In all three countries the employment rate came down as well (-1.1, -0.7 and -0.9 percentage points, in Argentina, Brazil and Mexico, respectively).<sup>4</sup>

Why did the labour supply in the three countries respond to the downturn in job opportunities with a much sharper contraction than previous behaviour would indicate could be expected, instead of contracting consistently with the prevailing conditions? One hypothesis in this respect is based on the fact that the behaviour of labour supply varies by the income level of countries and households. A procyclical labour supply is characteristic of higher per capita income countries (the countries of the Organization for Economic Cooperation and Development (OECD) and those in Latin America with higher per capita income), while in poorer countries labour supply tends to behave countercyclically. The same occurs at the household level: when labour demand is lower, labour supply from poorer households usually rises to offset income losses (from unemployment or falling labour income) that could threaten subsistence. Typically, this means that households send their “secondary labour force” (young people, for example) into the labour market. Conversely, better-off households are less affected by slack labour demand, because they tend to have adequate income and reserves to protect their living standards to a better extent (Sabarwal, Sinha and Buvinic, 2010).

According to this hypothesis, then, the higher levels of employment registered in the past decade in Argentina, Brazil and, to a lesser degree, Mexico may have built up many households’ reserves enough to save them from having to produce a supply-side respond to slacker labour demand in 2014. This could have been aided by the real wage rises that have occurred to a greater or lesser degree in the three countries during the past decade and the fact that, despite the low-growth conditions, real wages did not fall in 2014, as will be seen later, which sets this situation apart from previous episodes of weak growth in the region.<sup>5</sup> Lastly, many countries have created schemes aimed at retaining young people longer in the education system.

As a result, in terms of age groups, the participation rate fell most heavily among the young in all three countries. In Argentina, the urban participation rate for young people aged between 14 and 29 years came down by around 1.4 percentage points in 2014, compared with 0.5 percentage points for those aged 30-64. In Brazil, the urban participation rate dropped 2.6 percentage points in the annual average for those aged 15-24, versus 1.4 percentage points for those aged 25 years and over. Lastly, in Mexico, at the national level, the participation rate for 15-29-year-olds fell by 0.9 percentage points, compared to 0.4 percentage points for those aged 30 and over. So, although labour participation fell across the board, the drop was sharper among the young.

Although a falling participation rate is not in itself good news and a downtrend cannot be sustained over time, it tends to be less disadvantageous when it occurs mainly among young people, providing that they are staying longer in education, a point on which detailed information for 2014 is not as yet available.

Although the cumulative benefits of labour market evolution in the recent period appear to have generated a certain amount of manoeuvring room which, in turn, influenced the labour supply behaviour of many households, they have not changed the structural characteristics of the region’s labour markets. These markets still have high levels of informality, large percentages of working poor and —as well as poor households— a great proportion of vulnerable households with per capita incomes only just above the poverty line. These households can rapidly find themselves forced to send their secondary workforce into the labour market, and to seek additional labour income in the informal sector should formal sector demand remain weak for any length of time.

Nevertheless, for many households the fall in the employment rate in 2014 does not seem to have generated a desperate situation. In particular, the fact that both Argentina and Brazil showed slightly more favourable unemployment rate patterns among younger people than among mature adults (in Mexico the rate behaved similarly for both groups) would appear to suggest that the pressure on households is not yet heavy enough to force young people into the labour market and seek labour income in any sort of conditions from the secondary workforce.

These circumstances could also explain the unusually sharp fall in the employment rate in the three countries. As a result of structural differences between the labour markets of developed countries and those of Latin America and the Caribbean, the adjustments forced by weak economic growth are channelled differently in the two. In developed countries labour markets adjust to slack growth mainly through employment. By contrast, in Latin America and the Caribbean, in the same situation, the needs of households tend to swell employment in the informal sector, so that the adjustment take place less through employment and more by pulling down average

<sup>4</sup> These figures refer to urban areas, where labour markets tend to be more sensitive to economic conditions than in rural areas. For purposes of comparison, in Brazil, the new continuous national household survey (PNAD) shows both the participation rate and the employment rate falling much less at the national level (0.3 and 0.1 percentage points, respectively) than was reported in the monthly employment survey (PME) for the six main metropolitan areas. Nevertheless, the result in terms of the unemployment rate is the same: it fell, thanks to a larger drop in the participation rate than in the employment rate. Something similar is seen for Mexico: both the participation rate and the employment rate fell less at the national level (0.4 and 0.5 percentage points, respectively) than at the urban level; here, the unemployment rate fell slightly (0.1 percentage points) at the national level, while it rose equally slightly (0.1 percentage points) at the urban level.

<sup>5</sup> Already by 2009 rising real wages were an important factor in stabilizing domestic demand, which aided in the rapid recovery of the production apparatus and the recovery from the impacts of the international economic and financial crisis. Those wage rises were partly thanks to the heavy drop in world food prices.

labour productivity.<sup>6</sup> However, as discussed in relation to the participation rate, the pressure on households appears not to have been severe yet in 2014; accordingly, households sent fewer members into the labour markets and specifically into the informal sector, thereby avoiding a larger rise in employment.

## B. Uneven evolution of the main labour indicators

As may be observed in annex table A1.2, the fall in the participation rate did not occur across the board in the region. Of the 19 countries for which information is available, the participation rate rose in 11, to varying degrees, and held steady in another two. The employment rate rose in nine countries, fell in eight and remained stable in two (that is, it rose or fell no more than 0.1 percentage points).

The fresh decrease in the urban open unemployment rate at the regional level brought it to a 25-year low. The performance was mixed at the level of individual countries, however (see annex table A1.1). The unemployment rate fell in line with the regional rate in eight countries, including four in the Caribbean, rose in seven and stood still or posted only very small changes (increases or decreases of up to 0.1 percentage points) in another four.

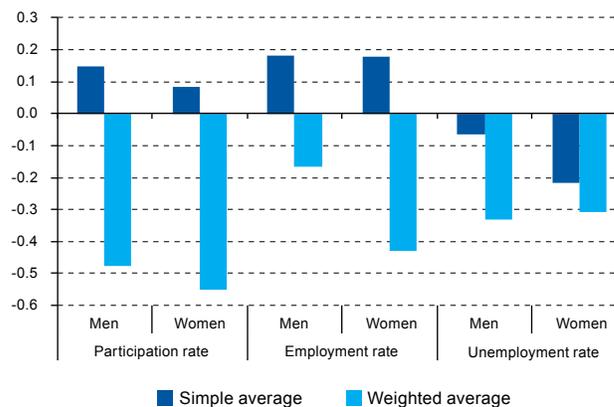
As a result of the heterogeneous performance at the country level, and unlike the regional figure (which is the weighted average of the rates for the countries), the simple average measure of labour market participation kept rising. This difference is due to the fact that 2014 labour market performance was similar in the three largest economies (Brazil, Mexico and Argentina), which together represented almost two thirds of the region's workforce, but different to most of the other countries in the region. As shown in figure I.4, in the simple average labour market participation rose slightly more steeply for men than for women, in a departure from the long-term trend of increasing labour market participation among women and a slow decrease among men.

Something similar may be observed for the employment rate in the simple average which —again unlike the weighted average examined in the preceding section— increased slightly, with similar rates for women and men. Here, too, there is a departure from the prior trend of a larger expansion of employment among women.

In 2014, then, compared with the general trend observed for Latin America and the Caribbean, the region's labour market adjustment to the low economic growth appears to have occurred more than usual through employment levels and less than usual through average labour productivity.

Lastly, the variations mentioned resulted in the unemployment rate coming down slightly in the simple average, in this case consistently with the weighted average, although by a smaller amount, with larger drops for women than for men.

Figure I.4  
LATIN AMERICA AND THE CARIBBEAN: VARIATION IN LABOUR PARTICIPATION, EMPLOYMENT AND UNEMPLOYMENT BY SEX, SIMPLE AND WEIGHTED AVERAGES, 2013-2014  
(Percentage points)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of official information from the countries.

The fact that job creation slowed without producing a jump in the labour supply is reflected not only in the unemployment rate but also in hourly underemployment rates. As shown in table I.1, with the exception of Colombia and Honduras, where hourly underemployment fell by 1.3 and 1.2 percentage points, respectively, between 2013 and 2014, year-on-year variations did not exceed 0.5 percentage points, with slight increases in Argentina, Costa Rica and Ecuador, and slight falls in Brazil, Chile, Mexico, Panama, Paraguay and Peru, while the rate held steady in Uruguay.

<sup>6</sup> See ECLAC/ILO (2012, pp. 10-12).

Table I.1  
**LATIN AMERICA (SELECTED COUNTRIES): URBAN HOURLY UNDEREMPLOYMENT RATES, 2010-2014<sup>a</sup>**  
 (Percentages)

Country	2010	2011	2012	2013	2014 <sup>b</sup>
Argentina	9.8	9.1	9.3	9.2	9.6
Brazil	2.7	2.3	2.0	1.8	1.5
Chile	11.5	11.9	11.5	11.6	11.3
Colombia	12.0	11.1	11.7	11.9	10.6
Costa Rica <sup>c</sup>	11.2	13.4	11.3	12.5	12.8
Ecuador	12.1	9.8	8.2	8.9	9.3
Honduras	6.7	10.6	10.1	11.6	10.4
Mexico	7.6	7.1	7.0	6.9	6.7
Panama	1.8	1.3	1.9	2.0	1.8
Paraguay	7.3	6.3	5.4	5.1	4.9
Peru	14.5	12.4	12.0	11.6	11.3
Uruguay	8.9	7.6	7.4	6.9	6.9

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of official information from the countries.

<sup>a</sup> The data refer to the proportion of employed who work fewer than the standard working hours in the respective countries, would like to work more hours and are available to do so. Owing to methodological differences, the series for the different countries are not comparable with each other. The series refer to urban areas, except in the cases of Chile and Costa Rica, where they refer to the national total.

<sup>b</sup> Preliminary information.

<sup>c</sup> From 2012 on, the data correspond to a new survey, so are not strictly comparable with previous data.

## C. Weaker creation of wage and registered employment

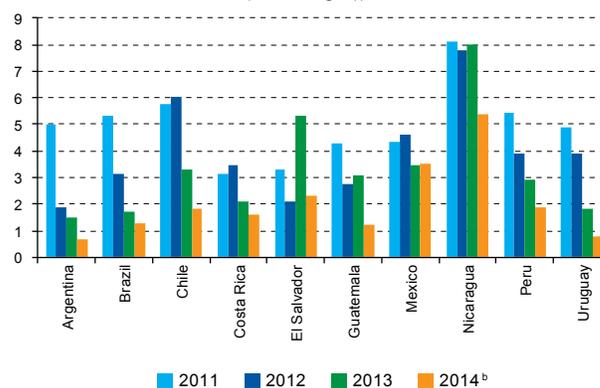
Despite the relatively favourable situation in terms of unemployment, the cooling of economic growth at the regional level could not avoid impacting on labour demand. This took the form of weak wage employment creation in many countries, including Argentina, Brazil, Chile, Panama, Paraguay and Peru, where this category of employment grew less than 1% or the absolute numbers of employed contracted.

Own-account employment, which is usually of poorer quality than wage employment, generally expanded more than total employment, suggesting an incipient resurgence in informal activities in the context of weak labour demand from firms. In the median for 11 countries, total employment expanded 1.5%, as did wage employment, while own account employment grew 3.1%.<sup>7</sup>

The weaker creation of quality employment was also observed in the data on the evolution of formal employment. Figure I.5 shows that, although formal employment continued to expand in the yearly average in all the countries for which information is available, it did so at falling rate rates which in very few cases exceeded 2%. The main exception was Mexico, where policies recently launched to encourage employment formalization helped to increase the momentum in employment registration in the second half of 2014, leading to an annual rate similar to that of 2013. The fastest growth in registered employment was again seen in Nicaragua, which has been increasing social security coverage for several years now.

The trend towards registered employment increasing as a proportion of total employment was thus broken in most of the countries, since in many cases (including Brazil, Costa Rica, Guatemala and Uruguay) this higher quality employment expanded more slowly than employment overall. Conversely, Chile, Mexico and Peru saw employment composition improve moderately.<sup>8</sup>

Figure I.5  
**LATIN AMERICA (SELECTED COUNTRIES): RATES OF GROWTH OF REGISTERED EMPLOYMENT, 2011-2014<sup>a</sup>**  
 (Percentages)



**Source:** Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of official information from the countries.

<sup>a</sup> The data refer to wage earners or posts which pay into social security systems, with the exceptions of Brazil, where they refer to formal posts reported by firms, and Peru, where they refer to employment in small, medium-sized and large firms in the formal sector.

<sup>b</sup> Preliminary data.

<sup>7</sup> In the weighted average for the same countries, the comparison is less favourable, since wage employment grew 0.9% and own account employment by 2.7%. With a GDP elasticity of wage employment of 0.75, wage employment generation was within the normal range for the region.

<sup>8</sup> No information is available on the growth rate of employment overall for El Salvador and Nicaragua in 2014.

Review of employment by branch of activity shows a reduction in the share of commerce in many countries, and a standstill in the absolute numbers employed in this activity. Employment in commerce rose strongly in recent years, reflecting economic growth driven in good measure by household consumption. The interruption of this trend shows, first, the weakness of this component of aggregate demand and, second, that the expansion of informal activities was still limited. In low growth phases, employment in commerce tends to expand because of its low entry barriers; however, as noted

## D. A modest rise in real wages

The fact that the region's labour markets were not yet under supply-side pressure in 2014, which would have generated new imbalances, was also reflected in the evolution of formal sector real wages. In the simple average for the countries, real wages rose 1.8%, similarly to the 2013 figure. However, they rose less than in 2013 in almost all the South American countries for which information is available, while in the Central American countries with information available and in Mexico, they rose above 2013 rates.

Real wage stability or slight rises were aided by minimum wage policies. In the simple average for 20 countries, real minimum wages were up by 3.1%, with two-digit increases in the Plurinational State of Bolivia and Panama. The minimum wage rose below inflation or not at all in a very few countries only.

## E. Conclusions and outlook

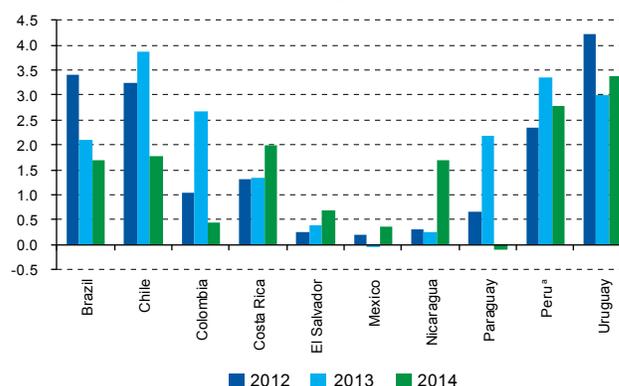
Because of atypical behaviour in the labour markets in Argentina, Brazil and Mexico and in contrast to the normal pattern in low growth phases, the region's urban unemployment rate fell in 2014 despite the slack labour demand resulting from economic growth of just 1.2%. The lower unemployment rate was attributable to a much sharper drop in the three countries' urban labour market participation rate than their past trajectories might have suggested would occur. It is argued here that this atypical behaviour was due mainly to cumulative gains in labour indicators over the preceding decade, which reduced the pressure for many households to compensate for weak labour demand (expressed as weak wage employment creation) by entering informal work. Consequently, not only the participation rate but also the employment rate showed atypical behaviour. As the first fell more steeply than the second, the unemployment rate also came down at the regional level.

However, given the persistent structural weaknesses in the region's labour markets, these patterns cannot be expected to continue for very long, as will likely become evident in the region's labour market performance in 2015.

earlier, in the current conditions the supply-side pressure has not been as strong as during previous low growth episodes, so that the informal sector has not swelled significantly.

With a few exceptions, job creation remained weak in manufacturing, and its performance was mixed in construction and agriculture, among the few countries with information available on this last sector. Employment in services expanded in most of the countries that have information available, in some cases as a result of growth in public sector employment.

Figure I.6  
LATIN AMERICA (SELECTED COUNTRIES): VARIATION IN REAL AVERAGE WAGE IN FORMAL EMPLOYMENT, 2012-2014  
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of official information from the countries.  
<sup>a</sup> Refers to dependent workers in Metropolitan Lima.

Contrary to expectations just a few months ago, no significant upturn is now forecast for the region's growth in 2015, with a projection of just 1.0%. This means no turnaround of the growth slowdown that began in 2011 and another standstill in the region's per capita GDP. In this context, the urban employment rate is likely to fall for a third year running, owing to the weak labour demand—and therefore weak job creation—attendant on low economic growth. Employment quality could well suffer as a result and, with formalization probably being insufficient to offset weak wage employment creation, registered employment will continue its lacklustre gains in most of the countries.

Meanwhile, the fall in labour market participation cannot be expected to continue at the regional level, at least not at the rate seen in 2014. Accordingly, the decline in the employment rate will probably be reflected in a rise in the open unemployment rate in 2015. This rise could reach around 0.2 percentage point, taking unemployment back to 6.2%, the rate posted in 2013. For most of the countries, average real wages in the formal sector should hold steady, since unemployment rates will generally continue relatively low and, with few exceptions, inflation should remain in check.

## II. Universal social protection in Latin America: challenges, experiences and strategies for addressing labour market informality

### Introduction

Over the past few years an increasing body of analysis and effort has been devoted to reforming public policies on equality of rights and making progress towards more cohesive societies. Building social protection systems aimed at these objectives calls for recognizing the restraints arising from the labour market, with a view to redefining and improving strategies, as the recent experience in Latin America has shown.

In this region, with its dramatic levels of inequality, it must be recognized that increasing amounts of resources must be devoted to meeting these objectives given the challenges on the horizon. The present analysis emphasizes the need to identify the distinguishing features of the new strategies for social protection.

The experience the region has built up in this area indicates that, while taking into account the specific situation in each case, the path towards universal coverage and generalized improvement in the quality of the various benefits extended under social protection demands greater public resources and more efficient use of them.

This part of the report reviews the concepts applicable in the field of social protection and examines the behaviour of the labour market, then looks at the situation and challenges in relation to the different protection schemes involved. Attention is drawn to the need to consider the economic context and, very particularly, the fiscal space available in each country to carry out the necessary reforms.

### A. Strategies for expanding social protection

Universal social protection is a human right that is recognized in a number of international instruments and, moreover, supports economic and social progress insofar as it reduces poverty and inequality by promoting social inclusion. As well as being essential for the dignity of individual citizens, in combination with other policies it fosters productivity and employability, thereby supporting economic development (ILO, 2011). Expanding coverage is thus one of the most pressing priorities for achieving sustained economic growth, with social cohesion and decent work for women and men (Social Protection Floor Advisory Group, 2011; ECLAC, 2010).

The discussion on strategies for expanding social protection coverage gained fresh impetus early this century, after it became clear that many of the reforms made in previous years had failed to resolve the shortcomings in different components of social security as expected. The changes that took place in the labour market and the fiscal impact of the traditional social security systems combined to ensure that it was not possible either to improve the coverage of these systems or to develop more sustainable and equitable ones.

As a result, ideas began to evolve in relation to the rights-based approach, in which the State and its ability to influence economic and social development returned to centre stage. In particular, attention came to focus on possibilities for building a system to provide coverage for workers in the informal economy and for their families, as well as for other vulnerable groups (ILO, 2002). In these discussions, the ability of social

security systems to cater to the realities of the labour market was treated as a key way to increase the solidarity component of social security systems, given that the situation towards the end of the 1990s guaranteed neither access nor the resources to finance it. At the same time, social protection policies began to be steered by notions such as full citizenship and guarantee of rights (human, economic, social and cultural) (ECLAC, 2006).

In this new context, in which the systems created under a contributory rationale have proven unsuited to meeting their objectives as a result of various factors (macroeconomic, fiscal, productive and labour-related), the debate has shifted towards how the intersection between employment and social protection can be designed to achieve greater well-being and, in particular, how the non-contributory component of social protection should combine with the contributory pillar (Bertranou, 2004; ECLAC, 2012).

This debate has taken place at the global level, for example in the sphere of the International Labour Organization (ILO), which adopted Recommendation 202 concerning national floors of social protection, and within various forums at the regional level, with both the Economic Commission for Latin America and the Caribbean (ECLAC) and the ILO playing a significant part in the discussions and policy proposals. This renewed discussion on social security coverage also took place among the constituents of ILO (governments and workers' and employers' organizations) at the 89th session of the International Labour Conference (2001), at which themes which would guide

the work of the Organization for the coming decade were set out. Thus, the Global Campaign on Social Security and Coverage for All was launched in 2003, and the proposal to expand social protection coverage was echoed in the ILO Declaration on Social Justice for a Fair Globalization of 2008. Over that period, the idea of establishing a “social protection floor” gathered force, being first addressed by the World Commission on the Social Dimension of Globalization (2004) and, later, in 2009, by the United Nations System Chief Executives Board, which adopted the Social Protection Floor Initiative as one of the nine initiatives to address the international economic crisis which broke out in 2008. This initiative was spearheaded by ILO and the World Health Organization (WHO) and a number of advocacy activities in this direction were supported by the work of the Social Protection Floor Advisory Group chaired by Michelle Bachelet, which launched the report *Social protection floor for a fair and inclusive globalization* in 2011.

The concept of the social protection floor took shape as part of a two-dimensional strategy for the extension of social security, comprising a horizontal dimension (population coverage) and a vertical dimension, consisting of the gradual implementation of higher standards in relation to the social risks covered, including quality and the generosity (income replacement rates) of benefits. This became evident, first, when the concept was included in the Global Jobs Pact of the International Labour Organization (ILO, 2009) and then when, following a process of consultations and discussions, the International Labour Conference adopted Recommendation 202 concerning national floors of social protection (ILO, 2014a).

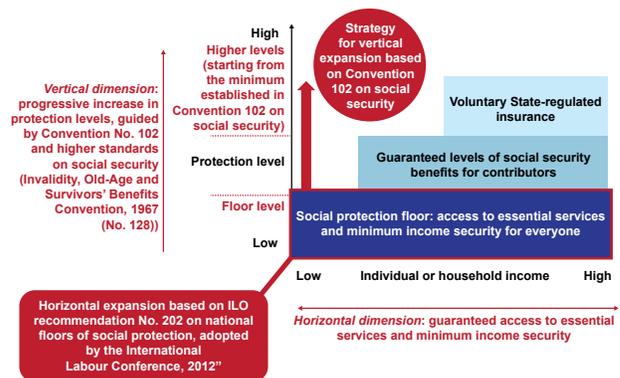
Recommendation 202 established that social protection floors should include at least the following basic social security guarantees:

- (i) Access to a nationally defined set of goods and services, constituting essential health care, including maternity care, that meets the criteria of availability, accessibility, acceptability and quality.
- (ii) Basic income security for children, at least at a nationally defined minimum level, providing access to nutrition, education, care and any other necessary goods and services.
- (iii) Basic income security, at least at a nationally defined minimum level, for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability.
- (iv) Basic income security, at least at a nationally defined minimum level, for older persons.

Recommendation 202 seeks to provide guidelines for establishing social protection floors in the framework of a social security expansion strategy that ensures social protection floors with progressively higher levels of social security protection for the largest possible number of people (following the guidelines of ILO standards on social security). The social protection floor is seen as part of an integrated system which may be represented as a social security “ladder”. The floor level covers a

set of predefined essential guarantees for the entire population and forms the basis to support and develop compulsory social insurance (which provides benefits for people who normally pay into the system) and voluntary insurance. Compulsory and voluntary insurance are also the path for expanding vertical or qualitative coverage (referring to the types of contingency coverage and the level of benefits), enabling the achievement of higher social security thresholds. It could thus be said that the social security floor is a tool for increasing first the horizontal extension of coverage, while the ILO Social Security (Minimum Standards) Convention (minimum social security standards) and the related conventions are instruments for ensuring the adequacy of benefits, i.e. vertical coverage (ILO, 2011).

Diagram II.1  
THE SOCIAL PROTECTION LADDER AND TWO-DIMENSIONAL STRATEGY FOR EXPANDING SOCIAL PROTECTION



Source: International Labour Organization (ILO), *World Social Protection Report. Building economic recovery, inclusive development and social justice, 2014/15*, Geneva.

To provide these basic guarantees, Recommendation 202 suggests not a single model of social protection, but consideration of different approaches that combine contributory and non-contributory components, taking into account the national context. Another key point of Recommendation 202 is the need to ensure that social protection floors are financially, fiscally and economically sustainable, considering the contributory capacity of the various population groups (Casalí, Schwarzer and Bertranou, 2014).

The discussion on social protection has gained particular importance on the agendas of the Latin American countries. At the thirtieth session of ECLAC, held in 2006, the document *Shaping the Future of Social Protection: Access, Financing and Solidarity* urged the member States to fulfil their responsibilities vis-à-vis the commitments undertaken before the international community in terms of respecting, protecting and promoting social rights, and to adopt specific measures through social protection policies.

Since then, ECLAC has taken an increasingly prominent role in promoting universal social protection systems with a rights-based approach, as advocated in its sessions held in 2010, 2012 and 2014, and in the documents making up what is known as the trilogy of equality.

The document *Time for Equality: Closing Gaps, Opening Trails*, presented at the thirty-third session of ECLAC (2010), emphasizes, for example, that building more inclusive, more egalitarian societies with full respect for a framework of rights in a globalized world and in open economies is the great pending task for the countries of the region in the twenty-first century. To ensure equality of rights, societies need redistributive instruments that provide specific guarantees of protection and address the particular characteristics and requirements of each society

## B. Other conceptual considerations

In relation to the four guarantees established in Recommendation 202, the treatment from the public policy point of view does not seem to generate any conceptual discrepancies with regard to the economic security of the part of the population that is not economically active (children, adolescents and older persons). However, economic security guarantees for persons of working age and health guarantees call for some additional conceptual considerations.

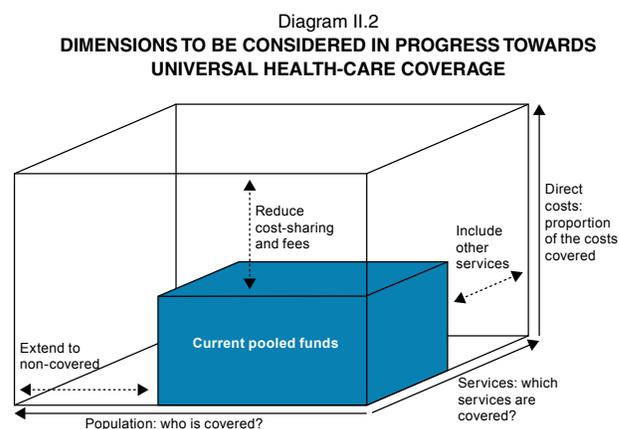
With regard to people of working age, the complexity lies in ensuring that strategies for expanding social protection are coordinated with policies for promoting formal employment. Active labour market policies are especially important because they play a key role in building bridges between employment and social protection, by facilitating labour market entry and positioning (ECLAC, 2012). This is because employment provides workers with more than a wage; decent work gives workers dignity, income security and coverage against certain social risks (for both workers and their families). In a situation of full formal employment, access to most economic and social rights could be achieved through a combination of social security mechanisms and labour protection standards (Beccaria and Maurizio, 2010).

However, given that labour informality remains extensive in Latin America, mechanisms to prevent certain social risks (unemployment, for example) and to mitigate their impacts cannot be based exclusively on traditional social security and labour regulations, which are both designed for the formal segment of the economy. It is important to consider the structure of the labour market, particularly the existence and both formal and informal employment, in order to extend protection and benefits to all workers, be it through contributory or formal-employment-related schemes or through non-contributory systems (ILO, 2014a). In order to formalize the informal economy, social protection policies (some of them included within labour market policies) must also be accompanied by and coordinated with a range of other actions, both within the area of social protection and in the realm of employment policy and labour regulations, since these can avert certain social risks and mitigate their consequences. For example, the combined action of employment policies aimed

and the various population groups within it. ECLAC therefore proposed that the countries broaden their non-contributory cash and redistributive transfers for families with children and older persons. These measures and other reforms necessary to build universal social protection systems need to be underpinned by social compacts—long-run cooperation accords between a country's political and social stakeholders, as set forth in the document *Compacts for Equality: Towards a Sustainable Future*, presented at the thirty-fifth session of ECLAC in 2014.

at boosting demand for labour, labour policies (such as labour inspection), labour market policies (such as training) and social protection policies (such as income guarantees), which together can help to reduce levels of job precariousness and unemployment (transition to formality) as well as the risk people face when they lose a formal job.

The social protection floor approach is particularly important in relation to health guarantees, in terms of incorporating the proposals of the World Health Organization (WHO, 2005 and 2010). WHO states that universal coverage of health care means that everyone in the population has access to appropriate promotive, preventive, curative and rehabilitative health care when they need it and at an affordable cost. Universal coverage thus implies equity of access and financial risk protection. This approach requires efforts in three dimensions: (i) the population covered; (ii) the services covered; and (iii) the proportion of expenses not covered (see diagram II.2). Returning to the notion of a social protection ladder, the first of these dimensions is associated with horizontal coverage and the other two with vertical coverage. In addition, Titelman, Acosta and Cetrángolo (2014) note that coverage financed through compulsory charges (general income and deductions from wages) must not discriminate by income.



Source: World Health Organization (WHO), *World Health Report. Health systems financing: the path to universal coverage*, Geneva, 2010.

## C. Policies on social protection and employment formalization<sup>1</sup>

For much of the past 10 years, Latin America's labour market indicators performed well, chiefly reflecting the trajectory of economic activity during the period. However, after almost a decade of strong momentum, employment creation has slackened in the past few years.

As noted in ECLAC (2012), the link between social protection and employment means that exclusion occurs both within and outside the employment relationship. Within this relationship, exclusion has to do with employment quality, and outside it with labour participation and unemployment.

Particularly in relation to employment quality (and exclusion within the employment relationship), Latin America is showing a promising, although still insufficient, process of labour formalization. There has been an increase in wage employment in the formal sector—including social security coverage—in most of the region's countries (see table II.1<sup>2</sup>). The experience of the past few years shows that economic growth has been crucial for generating larger numbers of higher-quality jobs, but employment policies have also played a key part in the progress made towards formalization. These include a combination of specific policies on matters relating to productivity, labour and fiscal standards, active labour market policies and labour inspection, although they are not always coordinated with each other (ILO, 2014c).

As may be observed in table II.1, in Latin America wage workers (not including domestic workers) represent 65.7% of all employed. Almost 20% of wage workers are employed in the informal sector or do not have social security coverage. The magnitude of informality increases when own-account and domestic workers, and unpaid family workers, are included in the total. These three groups make up almost a third of the total employed in the region and generally show worse employment quality indicators (such as lower wages, lack of social security benefits and non-registration in labour and fiscal records). Of the total universe of employed workers in Latin America, then, 47.7% work in informal conditions. Of all informal employment, almost two thirds correspond to jobs in the informal sector,<sup>3</sup> a quarter to jobs in the formal sector and the rest to domestic work (ILO, 2014b). Behind this large proportion of jobs in the

informal sector lies a distinctive feature of the region's production structure: the fact that high-productivity sectors still account for a small proportion of the economies (ECLAC, 2012).

The statistics by country show great contrasts with regard to the structure and quality of employment. Own-account workers represent over 35% in the Bolivarian Republic of Venezuela, Honduras, Peru and the Plurinational State of Bolivia, and as much as 45% in Colombia. These workers represent around 25% of the total employed, or even less, in Argentina, Brazil, Chile, Costa Rica, Mexico, Panama and Uruguay. Wage employment (excluding domestic work) covered by social security represents between 91% and 84% in Costa Rica, Uruguay, Panama, Chile and Brazil, but less than 60% in Peru and Paraguay (see table II.1).

Employment quality does not show these same patterns across all social and age groups, or by gender. Women, young people and those at the lowest levels of the income distribution show the highest indicators of labour precariousness (ECLAC, 2012; ILO, 2014b).

Given that labour income is the main source of income for households in the region, a labour market performance that was better than in other periods had much to do with the reduction of poverty and inequality (ECLAC, 2014a; Weller, 2014; Bertranou and Maurizio, 2011). The main impact was from the combined rise in employment and wages, although in general, labour income per employed person was seen to have a greater impact than employment on household income variations (ECLAC, 2014a). As noted earlier, the gains in employment quality were attributable to a series of labour and labour market policies, as much as to economic growth. The higher wages in the region were also due, in part, to developments regarding labour institutions. One such institution is the minimum wage, which rose 57.5% at the regional level between 2000 and 2013 (ILO, 2013; ILO, 2014b; ECLAC/ILO, 2014b).

The expansion of social protection also played a key role in the evolution of household income and the reduction of poverty and inequality. Leaving aside pensions, which will be discussed in the next section, Latin America has seen an expansion of social protection programmes through income support for families in poverty or extreme poverty, the situation of many workers in the informal economy. Coverage increased from 5.7% of the population in 2000 to 21.1% in 2012. In the same period, the resources allocated to these programmes rose from 0.06% of GDP to 0.36% of GDP. Not only the coverage but also the number of countries in Latin America implementing this sort of scheme increased, from 3 at the end of the 1990s to 18 in 2010 (ECLAC/ILO, 2014a; Cecchini and Madariaga, 2011).

Importantly, these programmes were conceived not only to mitigate circumstantial poverty, but also to prevent its transmission

<sup>1</sup> This section addresses social protection guarantees for those of working age and for children and adolescents, from a perspective of labour market performance, and analyses non-contributory social protection schemes from a general perspective. A broader analysis of the characteristics of income transfer progress for these populations was presented in the report *Employment Situation in Latin America and the Caribbean* of May 2014 (ECLAC/ILO, 2014a).

<sup>2</sup> The purpose of this table is not to establish a hierarchy of formalization processes in Latin America, because the points of comparison do not coincide in all cases, but to give an overview of how wage employment has evolved and of some general characteristics of the period 2012–2013.

<sup>3</sup> Firms in the informal sector are those which have no registry of workers and/or number of employees. By contrast, wage workers themselves are considered informal when their employment relationship is not covered

by labour, fiscal and social security legislation, even if the firm itself is ostensibly in the formal sector. In the case of employers, own-account workers and workers in cooperatives, informal workers are those employed in the informal sector of the economy.

from one generation to the next. Accordingly, they usually make the income transfer conditional upon a series of commitments in the areas of education, health and nutrition. The scale of application in most of the programmes is the family overall, with a key role being given to women. For most the targeting criterion is poverty

or extreme poverty and often the presence of children in the household (or additional benefits are triggered for households with children). However, access criteria (as well as benefits and conditionalities) differ from one programme to another within the region (Cecchini and Madariaga, 2011).

Table II.1  
CHARACTERISTICS OF WAGE EMPLOYMENT, EXCLUDING DOMESTIC WORK, 2012-2013  
BIENNIUM AND VARIATION WITH RESPECT TO THE START OF THE 2000 DECADE <sup>a</sup>  
(Percentages and percentage points)

Country	2013-2012			Variation with respect to early 2000s (percentage points)		
	Percentage of total employed	Percentage working in the formal sector <sup>b</sup>	Percentage with social security coverage <sup>c</sup>	Percentage of total employed	Percentage working in the formal sector <sup>b</sup>	Percentage with social security coverage <sup>c</sup>
Argentina	69.4	80.4	73.4	7.3	5.5	10.2
Bolivia (Plurinational State of)	48.3	86.1		3.8	10.4	
Brazil	66.9	81.3	84.3	7.1	4.1	10.3
Chile	70.4	90.2	86.0	5.2	2.0	3.3
Colombia	47.0	77.4	69.7	-1.8	1.8	9.4
Costa Rica	70.9	82.5	91.5	0.8	1.1	4.3
Ecuador	58.4	74.1	67.5	3.4	4.0	22.1
El Salvador	57.8	75.1	64.7	-0.6	-1.1	-1.3
Guatemala	57.9	67.5				
Honduras	49.4	73.5		-8.2	-5.7	
Mexico	66.5	78.9	67.7	-0.7	-0.5	6.5
Panama	72.7	91.1	86.7	6.1	2.2	4.9
Paraguay	53.7	75.0	49.8	4.7	4.8	11.6
Peru	54.5	75.0	58.5	4.6	1.5	11.3
Uruguay	67.8	88.9	91.3	3.5	5.1	8.0
Venezuela (Bolivarian Republic of)	59.0	85.1		3.1	5.7	
Latin America <sup>d</sup>	65.7	81.0	78.7	5.0	3.2	9.9

**Source:** International Labour Organization (ILO), *Panorama Laboral de América Latina y el Caribe*, 2014, Lima, 2014.

<sup>a</sup> The definitions of informal sector and informal employment (in the universe of wage workers) are adapted from the information available and are not necessarily identical to those established at the XVII International Conference of Labour Statisticians.

<sup>b</sup> Includes public sector workers and private sector workers in establishments with six or more employees.

<sup>c</sup> Corresponds to pensions coverage; where this is not available, refers to health coverage.

<sup>d</sup> Weighted average.

The great majority of the countries in the region have policies on social protection for vulnerable families with children. These schemes are not all equally important within social policy, however, and they have a variety of designs and institutional arrangements. Although it is common to afford women a key role in administering benefits and to use means-based targeting, the scope of children and adolescents covered varies from one country to another, since the target ages change considerably (some schemes do not cover adolescents). Vertical coverage also varies between countries (not only in terms of the main cash benefit, but also with regard to education and food vouchers) (Cecchini and Madariaga, 2011).

As noted in ECLAC/ILO (2014a), these programmes have begun to incorporate specific labour inclusion components for young people and for adults of working age, either as an integral part of the programme itself or in coordination with another scheme. Such measures are aimed at providing better access to economic opportunities and to quality employment, thereby facilitating social inclusion of population groups otherwise trapped in poverty.

These labour inclusion components may be divided into supply-side and demand-side support. Supply-side measures include those at promoting training and qualifications. Demand-side measures include intermediation services, support for own-account work and the promotion of wage employment (ECLAC/ILO, 2014a).

Another aspect that needs to be considered in the relationship between the labour market and social protection is that, under the

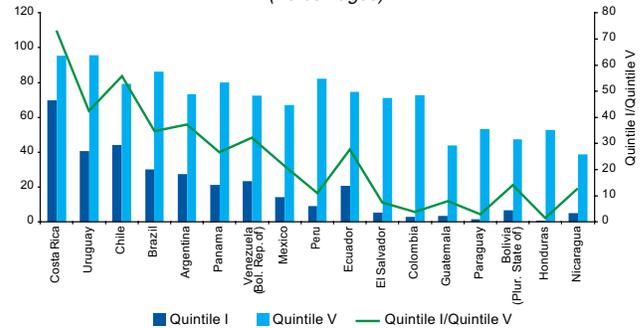
contributory rationale, employment formalization unlocks access to social protection benefits not only for workers but also for their families. Substantial gains in employment quality have increased contributory social insurance coverage through this channel (Cecchini, Filgueira and Robles, 2014). However, there are large coverage gaps between household members who do not participate in the labour market are high and those who do, especially in the cases of children and adolescents, among whom coverage is very low. The proportion of children living in households covered by contributory social protection is 43.4%, compared with 50.2% of the working-age population (ECLAC, 2011).

This trend towards differentiation of social security by age range reflects the lesser access of women and young people to formal employment with social protection, the demographic characteristics of the households of informal or unemployed workers (which tend to have more dependent children) and the income stratification that governs the contributory dynamic. Access to contributory protection is thus sharply unequal and tends to be even more so in countries where contributory systems are less widespread (ECLAC, 2012; ECLAC, 2011) (see figure II.1).

During the past few years coverage of some social security benefits anchored in legislation has been extended to certain segments of the labour market. For example, in 2013 Argentina passed new legislation broadening the system of pensions (old age, disability and survivors' pensions), health and occupational

safety (as well as expanding other legal rights) for domestic workers. In relation to family benefits, since 2009 domestic workers (formal and informal) are covered by the universal child allowance scheme. In Uruguay, legislation passed in 2006 extended social security coverage in relation to unemployment and health insurance. Other countries have also moved forward in expanding social security coverage to own-account workers and other segments of the labour market in which it is difficult to formalize labour relations. For example, Costa Rica (2005) and Chile (beginning with the reform of 2008) made it compulsory for independent workers to register in pension systems. Measures have been taken, too, to increase registration, such as the Brazil's *Super Simples* tax arrangement, collective registration mechanisms in Colombia and Costa Rica, and collective coresponsibility agreements for the rural sector in Argentina.

Figure II.1  
LATIN AMERICA (17 COUNTRIES): POPULATION AGED UNDER 15 YEARS LIVING IN HOUSEHOLDS WITH SOME SORT OF SOCIAL SECURITY COVERAGE, BY EXTREME INCOME QUINTILES, AROUND 2009  
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), *Eslabones de la desigualdad. Heterogeneidad estructural, empleo y protección social* (LC/G.2539), Santiago, Chile, 2012.

## D. Integration of contributory and non-contributory components to ensure access to pensions and health care

Income security for older persons and health care for the population in general are the components that have undergone most reform since the late 1980s, largely because of their impact on the household consumption basket, the

presence of a large number of private providers and the implications of these benefits for public budgets. The general directions of the reforms introduced in these two areas are described below.

### 1. Income security for older persons

Following the reform carried out in Chile in 1981, starting in the 1990s several countries in the region made structural reforms to their pension systems, giving greater weight to financial and economic considerations. These structural reforms implied the total or partial privatization of public social security pensions, changing them from publicly administered set benefits financed through pay-as-you-go schemes to privately administered individual capitalization systems with set contributions. The reform models varied, but three main types can be identified: substitutive, parallel and mixed. The first closed the public pension system and replaced it with the new system of individual accounts; the second allowed the new individual capitalization accounts to compete with the public pay-as-you-go schemes, and the third reformed the public system and made it into a component of a new system that included an individual accounts pillar (Mesa-Lago, 1998).

These structural reforms did not yield the expected benefits. Although it is difficult to compare, there is no evidence that the capitalization system has increased the amount of pensions, or increased national savings and efficiency (on this last point, these systems have been criticized for their high commissions and for lack of competition, contrary to their supposed virtues). As well, although parametric reforms (years of contributions, retirement age and rates of contribution) reduced the financial pressure on pension systems (Sviniene and Packard, 2004), the fiscal costs of the transition from a public system pay-as-you-go scheme to

a system of individual capitalization exceeded initial projections, leaving the public finances of these countries more fragile. What is more, coverage levels did not improve (as was supposed to happen as contributions became more tightly bound up with benefits); on the contrary, they fell as a result of increasing labour informality. These reforms distanced the pension systems from objectives such as poverty alleviation and income redistribution, by eroding the principle of solidarity (Mesa-Lago, 2004).

As a result, some countries undertook new reforms to deal with several of the limitations mentioned, while others sought to address the coverage issue through non-contributory programmes, as well as tackling specific problems through partial changes to legislation.

Among the first, fresh reforms were made to the private systems in Chile (which had put in place a substitutive model in 1981), Argentina (which had implemented a mixed model in 1994) and the Plurinational State of Bolivia (which had introduced a substitutive model in 1996). In Chile, the 2008 reform aimed not only to increase coverage, but also to generate institutional changes to make the contributory and non-contributory schemes more coherent and comprehensive. The benefits of this pension reform fell chiefly into three domains: the return of the State to a strong role in the pension system, increasing coverage for vulnerable groups, and improving the individual capitalization regime (Arenas de Mesa, 2010). Argentina (2008) and the Plurinational State of Bolivia (2010) closed their capitalization

systems and transferred all their funds and members into the public system. Argentina implemented a series of moratoriums to offset coverage problems (thereby allowing those of retirement age access to a pension), while the Plurinational State of Bolivia had already universalized its non-contributory pension, *Renta Dignidad*, a few years earlier (Mesa-Lago, 2012).

Uruguay made no structural changes with respect to the reforms of the 1990s (having introduced a mixed system in 1996), but nevertheless made significant alterations to various parameters (years of contribution, replacement rates), in order to broaden coverage to excluded groups, and changed other aspects to improve the system's equity (including gender equity). Action was also taken to increase coverage through old-age pensions.

Many Latin American countries took steps to increase coverage through non-contributory programmes. Although many of them already had non-contributory pension schemes or guaranteed minimum income programmes, these were very limited in coverage in the early 2000s (Bertranou, Solorio and Van Ginneken, 2002).

The expansion of coverage has not followed any single pattern. In some cases, it has been based on broadening existing programmes or making access more flexible. In others, new schemes were created or the contributory system was changed (Rofman, Apella and Veza, 2013). Initiatives included universal programmes, targeted actions to complement the coverage of contributory pensions and targeted programmes (for example, through means testing). In most cases, the programme adopted to expand coverage is not fully integrated into the pension system and is not managed by the institutions that administer the contributory regimes.

The route chosen to expand social security coverage is generally conditioned by the fiscal content, the development of social security institutions and the coverage gaps at the start. Rofman, Apella and Veza (2013) offer a compilation of the programmes implemented in the different countries of the region, which is reproduced in table II.2.

Table II.2

**LATIN AMERICA AND THE CARIBBEAN (14 COUNTRIES): PROGRAMMES FOR BROADENING SOCIAL SECURITY COVERAGE IN PLACE IN 2013**

Country	Programme	Beneficiary population	Integrated or independent contributory scheme	Permanent or temporary	Gradual or immediate	Administering institution
Argentina	Pensions moratorium	Targeted for universalization	Integrated	Temporary	Immediate	National Social Security Administration (ANSES)
Bolivia (Plurinational State of)	<i>Renta Dignidad</i> basic old-age pension	Universal	Independent	Permanent	Immediate	Collective Capitalization Fund (FCC)
Brazil	Rural pensions- Continuous Benefit Programme	Targeted for universalization	Integrated	Permanent	Immediate	National Social Security Institute (INASES)
Chile	Basic Solidarity Pension	Targeted for universalization	Integrated	Permanent	Gradual	Undersecretariat for Social Security
Colombia	Colombia Mayor	Targeted	Independent	Permanent	Gradual	Ministry of Labour
Costa Rica	Non-contributory pension regime	Targeted	Independent	Permanent	Immediate	Costa Rican Social Security Fund
Ecuador	Human Development Grant	Targeted	Independent	Permanent	Immediate	Ministry for Social Development Coordination
El Salvador	Universal basic pension	Targeted	Independent	Permanent	Gradual	Social Investment Fund for Local Development (FISDL) (FISDL)
Mexico	Pension programme for older persons	Targeted for universalization	Independent	Permanent	Gradual	Secretariat of Social Development (SEDESOL)
Panama	Special transfers programme for older persons "120 a los 65"	Targeted for universalization	Independent	Permanent	Immediate	Ministry of Social Development
Paraguay	Food pension programme for older persons living in poverty	Targeted	Independent	Permanent	Gradual	Ministry of Finance
Peru	Pension 65	Targeted	Independent	Permanent	Gradual	Ministry of Development and Social Inclusion
Trinidad and Tobago	Senior Citizens' Grant	Universal	Integrated	Permanent	Immediate	Ministry of the People and Social Development
Uruguay	Flexibilization of contributory scheme / Reform of old-age pension	Targeted for universalization	Integrated	Permanent	Gradual	Social Security Bank

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of R. Rofman, I. Apella and E. Veza (eds.), *Más allá de las pensiones contributivas*, Buenos Aires, World Bank, 2014.

## 2. Protection against health risks

Considerations of institutional organization and financing have led to hybrid systems being the most common in Latin America. In general, it has proven very difficult to achieve universal coverage of quality health services through these systems. Health

care is provided by a broad range of institutions and through a variety of mechanisms of financing, regulation and delivery. The public subsector (financed essentially from general taxes), coexists with social security (financed from payroll deductions)

and the private subsector (which works on the basis of private insurance or out-of-pocket payments). The way in which these three subsectors coordinate (or not) with each other gives rise to different modalities of operation within health systems. The lack of coordination hampers the efficient use of resources and the achievement of acceptable levels of equity.

Generally speaking, the only coverage for those unable to pay social security contributions is provided by the State. Social security usually covers workers in formal employment (and often their families, depending on how each particular system is organized) and has its own network of hospitals and providers. The private sector covers mainly the higher-income population and also has its own network of providers. However, the lowest-income sectors often lack insurance and have difficulties in gaining access to public services, and are therefore forced to resolve their most urgent needs by paying out of pocket in the private sector. The different reforms that have taken place in the region have to do with the ways in which the countries have attempted to restructure interrelations between the three subsectors.

Given that health system financing is not equity-neutral, the existence of a dual institutionality split between public service delivery and social insurance has been deleterious for financing and service provision. Not only has it led to duplication of functions and waste of resources, but it has also generated health systems differentiated by social strata. Difficulties in regulating the private subsector, which accounts for a significant proportion of total spending in Latin America, have detracted further from the efficiency of the resources society allocates to the health sector.

The greater weight of out-of-pocket spending goes hand in hand with more limited distribution and greater inequity. In turn, depending on how well coordinated social security is with public service provision, the more developed social security is in terms of providing and financing health care, the larger the coverage gap between formal workers and the rest of the population which has access only to the public subsector.

Making health systems more equitable and efficient depends, in almost all cases, on the possibilities of integrating their components. Only a few countries in the region have been able to achieve this and finance public health provision from general taxes: first, most of the countries in the Caribbean, which have followed the United Kingdom's model of public health care; second, the particular case of Cuba; and third, Brazil, which is the only country in the region that has a tax burden similar to that of the developed countries.

The rest of the region has maintained the partial financing scheme through payroll deductions, thereby keeping the system fragmented. Some countries have attempted to integrate the contributory systems financed from payroll deductions into public schemes financed out of general taxes; others have kept the two forms of financing fairly separate.

Among the countries which have combined the two forms of financing, three integration modalities may be identified. The first, as in Costa Rica, is to integrate financing sources while maintaining a single level of coverage, giving the most equitable type of integration.

The second is to integrate sources of financing while accepting, at least at first, coverage levels differentiated by type of financing (this is the model followed in Colombia and Uruguay). Lastly, the Chilean experience is a special case: integration is partial inasmuch as subscribers decide whether to register in the integrated public system, the National Health Fund (FONASA), or in the system of private health insurance institutions (Isapres). Given that this choice largely comes down to the beneficiary's income level, Chile is considered to have a dual system (ECLAC, 2006).

In this framework, the problems that need to be tackled require a medium-term strategy of reforms to reach the desired objective. It goes without saying that there is no single reform strategy. In some cases an integrated system can be built on the basis of the existing social insurance system, and in others the changes will have to be built around the public health system. What needs to be discussed, then, is not only the desired end point of the process, but also how the systems will work during a necessarily lengthy transition period which will require major redefinitions along the way. Undoubtedly, the ability of governments to steer these processes and the bargaining power of the various sectors involved will be crucial in defining each country's path towards an integrated system. Lastly, these processes will not be viable without major tax reforms to reduce reliance on contributory benefits and finance services of broad scope.

The Latin American countries therefore need to address the challenges of increasing tax financing of the public health sector, reducing their dependence on private spending and payroll deductions which, to a greater or lesser extent, run counter to the aim of building equitable and integrated systems that can provide better quality coverage. As will be seen in the next section, decentralized systems require careful national or federal organization of public health systems, to clearly define the responsibilities of the various levels of government and the system of transfers between levels to provide proper financing for the different functions. These are complex challenges, bearing in mind the departure points for the desired reforms, and roadmaps for reform are needed to bring incremental improvements towards the ultimate objective.

As well as the fragmentation inherent to the tripartite system, geographical fragmentation arises from the decentralization processes which have unfolded in the region over the past 25 years. Almost all the Latin American countries have engaged in decentralization, albeit with widely different scopes and characteristics. Regardless of the explicit objectives of each reform process, they have all had significant effects on equity and public accounts. Consideration also needs to be given to the link between the national or federal organization of each country and public provision not only of health care, but also of a range of programmes that directly or indirectly affect health.

Unfortunately, given the production and territorial inequalities typical of the region's countries and the differences in management and skills capacities available to governments at the different territorial levels, it is unrealistic to propose of improving equity

through decentralization if each territory has to fund health care for its population from its own resources. Accordingly, financial transfers between different levels of government and the consistency of sectoral policies are increasingly important in a context of public policy decentralization.

There are, of course, cases in the region where sectoral allocations have been established for subnational governments (in Colombia and Mexico, for example) and many in which resources are allocated to specific programmes (for example, in Argentina). However, not all sectoral financing can be allocated this way since a large budget allocation from central government is needed,

independently of automatic assignment, to avoid worsening the distribution situation even further.

In short, decentralization may be seen as a modality to enhance many aspects of public delivery of certain services in Latin America, but it is not in itself the solution to efficiency and equity problems. It should be seen as a tool that can be useful when properly combined with an established State reform policy. Of course, in many cases, decentralization is already a given, regardless of public policy. In that case, the central government must make every effort to design policies or mechanisms to avoid undesired effects arising in the process.

## E. Challenges for consolidating social protection systems with universal coverage

As discussed in the preceding sections, the levels of informality in the region hinder the achievement of universal coverage in social protection financed solely through contributory mechanisms. Informality not only directly affects workers' ability to register with the social security system; it is also an obstacle to raising the tax resources needed to finance benefits. Although the problem does not begin and end there,<sup>4</sup> social inclusion with broad access to economic,

social and cultural rights cannot be achieved without promoting decent work and formalization, and coordinating the contributory pillar of protection with the non-contributory pillar aimed at protecting families who are poor, indigent or vulnerable. This last section sets forth some of the main institutional challenges that need to be overcome in order to consolidate social protection in Latin America, including those relating to achieving the fiscal space to finance it.

### 1. Adapting the institutional structure of social protection

The region's labour markets have proven unable to act as a broad portal to social protection systems (ECLAC, 2006; Tokman, 2006; Bertranou, 2004; ILO, 2001). With informality at close to 47% of the employed population (ILO, 2014b) and dependants concentrated in vulnerable households with adult members who are in informal employment, unemployed or inactive, levels of social security coverage continue to be very low.

Attempts to increase coverage against a variety of risks through public programmes that are not bound up with people's working history have been very important in the past few years and it is to be hoped these can be consolidated, in order to gain increasing levels of equality. This effort cannot be approached in isolation from pre-existing schemes. One of the main pitfalls in this process is the overlap and lack of coordination between different benefit schemes. As well as undermining equity, this runs counter to the efficient use of the region's already scarce public funds. Particular attention should be afforded to ensuring that non-contributory programmes do not imply disincentives to formalization.

The countries therefore need to work on building the institutional structure of the new social protection, so that the different segments will be properly coordinated and the boundaries and characteristics of each policy are well defined. In addition, coordination modalities will be different for each benefit in each of the countries.

With regard to basic income for children and for the working-age population, adequate criteria must be developed to achieve universal rights. Conversely, for the older adult population a benefits scheme must be developed that, depending on the organization of pension systems in each case and in line with the social protection ladder mentioned earlier, maintains incentives to contribute in order to keep up long-term consumption levels, once basic income security has been ensured for the whole population.

As has also been seen, additional complexities arise in the case of health systems. Although the aim is to build systems in which coverage is egalitarian and universal regardless of individual labour market status, the wage deductions which are already part of the system today must not be forgone. Accordingly measures are needed to support the gradual shift in benefit schemes, including during transition periods. The measures will necessarily be different in each case, but must include coordination between the system's various segments during the transition.

Account must also be taken of population groups that face higher barriers to labour-market-related social protection, including women and young people. These two groups need targeted action with a broader package of measures (including care policies) and a strategy for transition from conditional cash transfer programmes for families with children and from youth programmes towards labour integration schemes. This is especially important in the case of members of the most vulnerable households.

Lastly, a specific challenge for federal or decentralized countries, especially in terms of health protection (although

<sup>4</sup> Filgueira (2014) proposes that social protection reforms in individual countries in the region depend on economic policy, technical know-how and consensus between academia, international organizations and (technical and political) decision-makers on the possible and desirable options in each case.

also in other components of social protection), is the matter of differences between territories within a country. Latin America's hallmark inequality is typically seen in terms of household income, but it is also especially evident between territorial entities. To the extent that the delivery of social protection services takes place in this context, institutional organization is needed to enable

central government to offset differences in capacities—not only financial capacities but also management capacities. In this case, the financial relations between levels of government play an important role and are closely related to the particularities of the fiscal space available in each country. This topic is the subject of the following section.

## 2. Creating the fiscal space for financing social protection

Social spending has risen notably in most of the Latin American countries over the past 15 years, chiefly in the area of social security expenditure as a result of pressure from the maturity and crisis in the pension systems and, to a lesser extent, from the development of conditional cash transfer schemes for the most needy households. Conversely, health expenditure has risen less significantly. Without prejudice to the importance of other spending items in relation to health, the sector does not seem to be a priority in budget discussions (Titelman, Acosta and Cetrángolo, 2014).

Given the need to increase public financing to consolidate social protection systems, progress depends on two branches of fiscal reform: first, the reallocation of existing budgets, and, second, the expansion of resources. In relation to the first, the region's budgets are highly rigid, making it difficult to reassign items. Earmarking fiscal resources in legislation or other sorts of rules that predate budgets throws up an obstacle that cannot be ignored in the discussion on social protection systems (Cetrángolo and Jiménez, 2009).

In sectors where State action is more complex than simply transferring financial resources, consideration should be given to the possibility of changing the structure of outlays. In the area of social protection, this is the case of health services. Here, too, sectoral budgets suffer from severe rigidities, much—but not all—of which have to do with staff costs.

Although some new allocation modalities have been introduced recently, generally under a target-based or results-based rationale, these affect a tiny proportion of sectoral budgets. What is more, when programmes concern functions that have a large impact on distribution, careful thought needs to be given to cutting budgets when an outcome does not meet expectations. Often this is rather a sign that an unsuccessful policy or programme needs to be reformulated. In this light, the possibilities of moving towards universal coverage in social protection in the countries of Latin America almost always comes down to the ability to expand resources. In a region with a historically low tax burden, tax receipts need to be increased, as well as boosting formal employment.

The region's historical difficulties in raising taxes are well known. In 2012 the tax burden was, on average, just 18.6% of GDP (including payroll deductions for social security). This was far below the average for the countries of the Organization for Economic Cooperation and Development (OECD) (35.2% of GDP) and even further from that of the European countries (39.2% of GDP).

This average hides a variety of situations. Only three countries (Argentina, Brazil and Uruguay) have a tax burden of over 25% of

GDP (still much less than the European countries). At the other extreme, there are several countries whose tax take falls below 15% of GDP (Bolivarian Republic of Venezuela, Guatemala and Mexico, among others).

The inadequate tax burden in most of the countries certainly hinders the ability of States to meet their obligations, at a time when social needs cannot wait. In particular, income tax and social security contributions have performed poorly, and the tax structure is based heavily on regressive indirect taxes.

In the case of social security payroll deductions, and regardless of the involvement of the private sector system in each country, the fact that broad sectors of the population (generally those engaged in informal activities) do not pay into the system is the corollary of the poor coverage of traditional systems. This point needs to be considered in tandem with the development of social protection.

Given the difficulties in collecting taxes that exist in most of the Latin American countries, a common observation is that the region has given preference to tax measures that are easy to administer but have little redistributive capacity. On average, more than half of the region's tax burden comes from value added tax (VAT) and other taxes on the sale of goods and services (generally labelled indirect taxes). Only 30% of the tax burden comes from taxes on property, income and other direct taxes. The remaining 20% corresponds to social security payroll deductions. Conversely, the OECD countries obtain over 40% of tax revenues from direct taxes and the resources of their social security systems (which are more developed than in Latin America) represent almost 27% of the total.

In sum, there is an urgent need to broaden the tax burden, which would have immediate and medium-term effects on the State, on citizens and on their interaction, by matching resources to the growth demands of public spending. Only with greater resources from tax collection can the countries of the region set in motion public policies to increase social cohesion and build more egalitarian societies. In the case of social protection, a larger tax burden would be a means to finance public policies that directly or indirectly improve the well-being of the population.

This calls for measures to expand the tax base and reduce exemptions, in order to strengthen the principle of equality in equal circumstances (horizontal equity), prevent the leakage of resources from advantaged groups or sectors permitted by the current systems, and improve the impact of taxation on income distribution by increasing the burden on higher-income sectors (though personal income tax, basically), but without neglecting the progress already made in indirect taxation.

## F. Final remarks

Over the past 10 years, social protection had made a significant contribution to reducing poverty in Latin America but, with few exceptions, it has had less success in reducing inequality. As long as coverage gaps remain and systems continue to be fragmented and stratified, the chances of social protection reducing inequality (both income inequality and gender and other sorts of inequality) to a meaningful extent are very limited. There are also groups that have historically been excluded from social protection or have had very limited access anchored in legislation, such as domestic workers, so that broadening coverage to this group would also help reduce gender gaps.

The progress achieved thus far reflects both improvements in contributory coverage (thanks to the upturn in employment, which helped make up the losses of the 1990s) and the broadening of non-contributory schemes financed out of general taxes. It is not easy, however, to arrive at a verdict that represents all the countries of Latin America, since they are so different in terms of levels and extent of coverage, magnitude of public spending on social protection and the performance of their systems.

It has also been seen that, with few exceptions, there is limited scope for broadening the fiscal space to support coverage expansion policies. There are many reasons for this, from constraints on raising more taxes to fiscal commitments on certain items, especially those related to the pension systems

themselves. This limitation undoubtedly conditions progress towards universal social protection, particularly in countries with large coverage gaps and high poverty levels (Filgueira and Espíndola, 2015).

Progress has been made in social protection in the past 10 years thanks to the introduction of components making up the four guarantees of the social protection floor, as well as broadening of their coverage. Coverage of these guarantees is still far from being universal in most cases, however, and guarantees do not usually operate in coordination with essential services (health, education, child care and employment services). Coverage of care services for dependent persons is especially limited, and very few countries have bought this component into the range of basic services to which the entire population should have access.

In short, the region needs to persevere along the path it has chosen, but must give greater weight to its policies and afford them more resources, as well as a renewed institutional structure. Governments and social protection institutions generally need support in prioritizing and developing the institutional capacities they need to adapt to continual shifts in conditions in individual countries —principally projections of economic growth, employment and demographic change— particularly in view of the challenges outlined in this report.

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## Annex A1

### Current indicators

Table A1.1  
LATIN AMERICA AND THE CARIBBEAN: URBAN UNEMPLOYMENT, AVERAGE ANNUAL RATES, BY SEX, 2004-2014  
(Percentages)

Country	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Latin America</b>											
Argentina <sup>a</sup>	13.6	11.6	10.2	8.5	7.9	8.7	7.7	7.2	7.2	7.1	7.3
Men	11.9	10.0	8.4	6.7	6.6	7.8	6.7	6.3	6.1	6.1	6.5
Women	15.8	13.6	12.5	10.8	9.7	9.9	9.2	8.5	8.8	8.5	8.4
Bolivia (Plurinational State of) <sup>b</sup>	6.2	8.2	8.0	7.7	6.7	7.9	6.5	...	...	...	...
Men	5.0	6.8	7.1	6.3	...	6.6	5.5	...	...	...	...
Women	7.5	9.9	9.1	9.4	...	9.4	7.6	...	...	...	...
Brazil <sup>c</sup>	11.5	9.8	10.0	9.3	7.9	8.1	6.7	6.0	5.5	5.4	4.8
Men	9.1	7.8	8.1	7.4	6.1	6.5	5.2	4.7	4.4	4.4	4.0
Women	14.4	12.4	12.2	11.6	10.0	9.9	8.5	7.5	6.8	6.5	5.8
Chile <sup>d</sup>	10.0	9.2	7.8	7.1	7.8	9.7	8.2	7.1	6.4	5.9	6.4
Men	9.4	8.5	6.9	6.3	6.8	9.1	7.2	6.1	5.4	5.3	6.0
Women	11.2	10.6	9.5	8.6	9.5	10.7	9.6	8.7	7.9	6.9	6.9
Colombia <sup>e</sup>	15.4	13.9	13.0	11.4	11.5	13.0	12.4	11.5	11.2	10.6	9.9
Men	13.0	12.2	10.7	9.7	9.9	11.3	10.7	9.5	9.4	8.9	8.3
Women	18.1	17.1	15.4	13.3	13.5	15.0	14.4	13.6	13.2	12.5	11.8
Costa Rica <sup>f</sup>	6.7	6.9	6.0	4.8	4.8	7.6	7.1	7.7	7.8	8.2	8.5
Men	5.8	5.6	4.5	3.4	4.3	6.5	6.0	6.3	6.5	6.9	...
Women	8.2	8.8	8.2	6.8	5.6	9.2	8.8	9.7	9.6	10.0	...
Cuba <sup>g</sup>	1.9	1.9	1.9	1.8	1.6	1.7	2.5	3.2	3.5	3.3	...
Men	1.7	1.8	1.7	1.7	1.3	1.5	2.4	3.0	3.4	3.1	...
Women	2.2	2.2	2.2	1.9	2.0	2.0	2.7	3.5	3.6	3.5	...
Dominican Republic <sup>h</sup>	6.1	6.4	5.5	5.0	4.7	5.3	5.0	5.8	6.5	7.0	6.4
Men	4.2	4.7	3.7	3.7	3.1	4.0	3.9	4.4	4.9	5.0	4.5
Women	9.8	9.6	8.7	7.4	7.3	7.8	6.9	8.2	9.1	10.4	9.5
Ecuador <sup>i</sup>	9.7	8.5	8.1	7.3	6.9	8.5	7.6	6.0	4.9	4.7	5.1
Men	7.4	6.8	6.2	6.0	5.6	7.1	6.3	5.1	4.5	4.2	4.5
Women	12.8	10.9	10.6	9.2	8.7	10.4	9.3	7.1	5.5	5.5	6.0
El Salvador <sup>i</sup>	6.5	7.3	5.7	5.8	5.5	7.1	6.8	6.6	6.2	5.6	...
Men	8.8	9.4	7.6	7.9	7.2	9.0	8.3	8.7	8.0	6.8	...
Women	3.7	4.8	3.6	3.4	3.5	4.9	5.1	4.1	4.2	4.2	...
Guatemala <sup>k</sup>	4.4	...	...	...	...	...	...	3.1	4.0	3.8	4.2 <sup>l</sup>
Men	4.3	...	...	...	...	...	...	2.7	3.7	3.9	3.8 <sup>l</sup>
Women	4.5	...	...	...	...	...	...	3.7	4.5	3.8	4.8 <sup>l</sup>
Honduras	8.0	6.1	4.6	3.9	4.2	4.9	6.4	6.8	5.6	6.0	7.5
Men	7.4	5.4	4.3	4.1	...	...	3.2	3.3	5.3	5.7	6.9
Women	8.8	7.1	5.0	3.6	...	...	5.2	6.1	6.1	6.3	8.3
Mexico <sup>m</sup>	3.8	4.7	4.6	4.8	4.9	6.6	6.4	5.9	5.8	5.7	5.8
Men	3.5	4.5	4.4	4.5	4.8	6.7	6.5	6.0	5.9	5.7	6.0
Women	4.2	5.0	4.9	5.2	4.9	6.5	6.3	5.8	5.7	5.7	5.6

Table A1.1 (concluded)

Country	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Nicaragua	8.6	7.0	7.0	6.9	8.0	10.5	9.7	...	...	...	...
Men	8.6	7.8	8.1	7.6	8.4	...	...	...	...	...	...
Women	8.5	6.1	5.7	6.0	7.6	...	...	...	...	...	...
Panama <sup>i</sup>	14.1	12.1	10.4	7.8	6.5	7.9	7.7	5.4	4.8	4.7	5.4
Men	11.5	10.0	8.6	6.5	5.4	6.3	6.5	5.3	4.2	3.9	4.7
Women	17.6	15.0	13.0	9.6	7.9	9.9	9.3	5.4	5.5	5.7	6.4
Paraguay <sup>n</sup>	10.0	7.6	8.9	7.2	7.4	8.2	7.2	7.1	8.1	8.1	8.0
Men	8.7	7.1	7.7	6.2	6.6	7.9	6.6	6.3	6.7	6.5	6.5
Women	11.6	8.3	10.4	8.4	8.5	8.7	8.1	8.2	9.9	9.9	9.9
Peru <sup>o</sup>	9.4	9.6	8.5	8.5	8.4	8.4	7.9	7.7	6.8	5.9	5.9
Men	8.1	8.3	7.2	7.3	6.5	6.7	6.5	5.8	5.4	4.9	5.1
Women	11.1	11.2	10.1	9.9	10.6	10.4	9.6	10.1	8.5	7.2	7.0
Uruguay	13.1	12.2	11.3	9.8	8.3	8.2	7.5	6.6	6.7	6.7	6.8
Men	10.3	9.6	8.7	7.2	6.1	6.1	5.7	5.3	5.3	5.4	5.5
Women	16.6	15.3	14.2	12.7	10.8	10.5	9.5	8.1	8.3	8.3	8.5
Venezuela (Bolivarian Republic of) <sup>h</sup>	15.1	12.3	10.0	8.4	7.3	7.8	8.7	8.3	8.1	7.8	7.1 <sup>p</sup>
Men	13.1	11.3	9.2	7.9	7.0	7.4	8.5	7.7	7.4	7.1	6.5 <sup>p</sup>
Women	17.9	13.8	11.3	9.3	7.8	8.3	9.0	9.2	9.0	8.8	8.0 <sup>p</sup>
<b>The Caribbean</b>											
Bahamas <sup>h</sup>	10.2	10.2	7.6	7.9	12.1	14.2	...	13.7	14.0	15.8	15.0
Men	9.4	9.2	6.9	6.7	...	14.0	...	13.6	14.1	15.6	13.8
Women	11.0	11.2	8.4	9.1	...	14.4	...	13.7	14.0	16.1	16.3
Barbados <sup>h</sup>	9.6	9.1	8.7	7.4	8.1	10.0	10.8	11.2	11.6	11.2	12.3
Men	8.8	7.4	7.7	6.5	6.9	10.1	10.9	9.8	11.0	11.1	11.7
Women	10.5	10.8	9.8	8.5	9.5	9.8	10.6	12.6	12.2	11.3	12.8
Belize <sup>h</sup>	11.6	11.0	9.4	8.5	8.2	13.1	12.5	...	15.3	13.2	11.6
Men	8.3	7.4	6.2	5.8	...	...	...	...	...	...	6.3
Women	17.4	17.2	15.0	13.1	...	...	...	...	...	...	19.9
Jamaica <sup>h</sup>	11.4	11.2	10.3	9.8	10.6	11.4	12.4	12.7	13.9	15.2	13.7
Men	8.1	7.6	7.0	6.2	7.3	8.6	9.2	9.3	10.5	11.2	10.1
Women	15.7	15.8	14.4	14.5	14.6	14.8	16.2	16.7	18.1	20.1	18.1
Trinidad and Tobago <sup>h</sup>	8.3	8.0	6.2	5.5	4.6	5.3	5.9	5.1	5.0	3.7	3.3 <sup>q</sup>
Men	6.4	5.8	4.5	3.9	...	...	...	...	...	...	...
Women	11.2	11.0	8.7	7.9	...	...	...	...	...	...	...
<b>Latin America and the Caribbean<sup>r</sup></b>	10.3	9.0	8.6	7.9	7.3	8.1	7.3	6.7	6.4	6.2	6.0 <sup>p</sup>

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of official information from household surveys conducted in the respective countries.

<sup>a</sup> Gradual incorporation up to 31 urban areas.

<sup>b</sup> Data from 2009 on are not comparable with those of previous years because of a change in the measurement. The figure for 2010 refers to the first half-year.

<sup>c</sup> Six metropolitan areas.

<sup>d</sup> National total. Data from 2010 on are not comparable with those of previous years because of a change in the measurement.

<sup>e</sup> Corresponds to 13 metropolitan areas. Includes hidden unemployment.

<sup>f</sup> Nationwide urban total. Data from 2009 on are not comparable with those of previous years because of a change in the measurement.

<sup>g</sup> National total. Working-age population refers to those aged 17-54 years in the case of women and 17-59 years in the case of men.

<sup>h</sup> National total. Includes hidden unemployment.

<sup>i</sup> Urban areas nationwide. Includes hidden unemployment.

<sup>j</sup> Urban areas nationwide. In 2007, the definition of the working-age population changed from 10 years and over to 16 years and over.

<sup>k</sup> Urban areas nationwide. In 2011, the definition of the working-age population changed from 10 years and over to 15 years and over.

<sup>l</sup> Data refer to April-May.

<sup>m</sup> Corresponds to 32 urban areas.

<sup>n</sup> Nationwide urban total up to 2009. From 2010 on, the figures refer to Asunción and urban areas of the Central Department.

<sup>o</sup> Metropolitan Lima.

<sup>p</sup> Preliminary data.

<sup>q</sup> Average for the months of March, June and September.

<sup>r</sup> Weighted average. Includes an adjustment to the data to exclude hidden unemployment in Colombia, Ecuador and Panama. Does not include the Bahamas, Belize, Guatemala, Nicaragua or the Plurinational State of Bolivia.

Table A1.2  
**LATIN AMERICA AND THE CARIBBEAN: URBAN LABOUR MARKET PARTICIPATION, AVERAGE ANNUAL RATES, 2004-2014**  
*(Percentages)*

Country	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Latin America</b>											
Argentina <sup>a</sup>	60.2	59.9	60.3	59.5	58.8	59.3	58.9	59.5	59.3	58.9	58.3
Bolivia (Plurinational State of) <sup>b</sup>	58.6	55.7	58.7	57.1	...	56.9	57.3	...	...	...	...
Brazil <sup>c</sup>	57.2	56.6	56.9	56.9	57.0	56.7	57.1	57.1	57.3	57.1	56.0
Chile <sup>d</sup>	55.0	55.6	54.8	54.9	56.0	55.9	58.5	59.8	59.5	59.6	59.8
Colombia <sup>e</sup>	63.6	63.3	62.0	61.8	62.6	64.6	65.7	66.7	67.6	67.5	67.9
Costa Rica <sup>f</sup>	56.3	58.2	58.2	58.5	58.6	62.3	60.7	62.6	62.3	61.5	60.8
Cuba <sup>g</sup>	71.0	72.1	72.1	73.7	74.7	75.4	74.9	76.1	74.2	72.9	...
Dominican Republic <sup>g</sup>	48.9	49.0	49.7	49.9	50.1	48.4	49.6	51.0	51.4	51.3	52.3
Ecuador <sup>h</sup>	59.1	59.5	59.1	69.1	67.7	66.3	64.2	62.2	62.8	61.8	62.2
El Salvador <sup>i</sup>	53.9	54.3	53.9	63.6	64.1	64.3	64.4	63.7	64.6	65.1	...
Guatemala	...	...	...	...	...	...	...	61.0	65.5	61.9	63.3 <sup>j</sup>
Honduras	52.7	50.3	52.1	51.7	52.7	53.1	53.7	52.5	51.2	54.3	55.7
Mexico <sup>k</sup>	58.8	60.9	62.0	62.0	61.7	61.5	61.3	61.4	62.1	61.7	60.9
Nicaragua	52.6	53.7	52.8	50.5	53.8	52.1	...	...	...	...	...
Panama <sup>l</sup>	64.2	63.7	62.8	62.6	64.4	64.4	64.0	63.2	63.6	64.1	64.3
Paraguay <sup>m</sup>	62.4	60.4	57.9	59.6	61.5	62.3	62.5	62.4	62.9	65.1	64.9
Peru <sup>n</sup>	68.0	67.1	67.5	68.9	68.1	68.4	70.0	70.0	69.1	68.9	68.4
Uruguay	58.5	58.5	60.8	62.9	62.8	63.7	63.9	64.3	64.0	63.6	64.8
Venezuela (Bolivarian Republic of) <sup>o</sup>	68.5	66.2	65.5	64.9	64.9	65.1	64.5	64.4	63.9	64.3	65.0 <sup>p</sup>
<b>The Caribbean</b>											
Bahamas <sup>o</sup>	75.7	76.3	75.1	76.2	...	...	...	72.3	74.6	73.2	73.8
Barbados <sup>o</sup>	69.4	69.6	67.9	67.8	67.6	67.0	66.6	67.6	66.2	66.5	63.8
Belize <sup>o</sup>	60.3	59.4	57.6	61.2	59.2	...	...	...	65.8	64.5	...
Jamaica <sup>o</sup>	64.5	64.2	64.7	64.9	65.5	63.5	62.4	62.3	62.5	63.0	62.8
Trinidad and Tobago <sup>o</sup>	63.0	63.7	63.9	63.5	63.5	62.7	62.1	61.6	61.8	61.3	62.2 <sup>q</sup>
<b>Latin America and the Caribbean<sup>r</sup></b>											
	60.0	59.7	59.9	60.1	60.1	60.2	60.4	60.6	60.9	60.6	60.1 <sup>p</sup>

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of official information from household surveys conducted in the respective countries.

<sup>a</sup> Corresponds to 31 urban agglomerations.

<sup>b</sup> Data from 2009 on are not comparable with those of previous years because of a change in the measurement. The figure for 2010 refers to the first half-year.

<sup>c</sup> Six metropolitan regions.

<sup>d</sup> National total. Data from 2010 on are not comparable with those of previous years because of a change in the measurement.

<sup>e</sup> Corresponds to 13 metropolitan areas. Includes hidden unemployment.

<sup>f</sup> Data from 2009 on are not comparable with those of previous years because of a change in the measurement.

<sup>g</sup> National total.

<sup>h</sup> In 2007, the definition of the working-age population changed from 10 years and over to 15 years and over.

<sup>i</sup> In 2007, the definition of the working-age population changed from 10 years and over to 16 years and over. Includes hidden unemployment.

<sup>j</sup> Data refer to April-May.

<sup>k</sup> Corresponds to 32 urban areas. In 2005 the definition of working age population rose from 14 to 15 years.

<sup>l</sup> Includes hidden unemployment.

<sup>m</sup> Nationwide urban total up to 2009. From 2010 on, the figures refer to Asunción and urban areas of the Central Department.

<sup>n</sup> Metropolitan Lima.

<sup>o</sup> National total. Includes hidden unemployment.

<sup>p</sup> Preliminary data.

<sup>q</sup> Average for the months of March, June and September.

<sup>r</sup> Weighted average. Includes an adjustment to the data to exclude hidden unemployment in Colombia, Ecuador and Panama, and to take into account methodological changes. Does not include the Bahamas, Belize, Guatemala, Nicaragua or the Plurinational State of Bolivia.

Table A1.3  
**LATIN AMERICA AND THE CARIBBEAN: URBAN EMPLOYMENT, AVERAGE ANNUAL RATES, 2004-2014**  
*(Percentages)*

Country	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Latin America</b>											
Argentina <sup>a</sup>	52.1	53.0	54.1	54.5	54.2	54.2	54.4	55.2	55.0	54.7	54.0
Bolivia (Plurinational State of) <sup>b</sup>	55.0	51.2	54.0	52.7	...	52.4	53.6	...	...	...	...
Brazil <sup>c</sup>	50.6	51.0	51.2	51.6	52.5	52.1	53.2	53.7	54.2	54.0	53.3
Chile <sup>d</sup>	49.5	50.4	50.5	51.0	51.7	50.5	53.7	55.5	55.7	56.0	56.0
Colombia <sup>e</sup>	53.8	54.5	54.0	54.8	55.3	56.2	57.6	59.1	60.1	60.3	61.2
Costa Rica <sup>f</sup>	52.5	54.2	54.7	55.7	55.7	57.0	56.4	57.8	57.4	56.5	55.6
Cuba <sup>g</sup>	69.7	70.7	70.7	72.4	73.6	74.2	73.0	73.6	71.6	70.5	...
Dominican Republic <sup>g</sup>	46.0	45.9	46.9	47.4	47.7	45.8	47.1	48.0	48.2	47.7	49.0
Ecuador <sup>h</sup>	53.4	54.4	54.3	64.3	63.1	60.7	59.3	58.5	59.7	58.9	59.0
El Salvador <sup>i</sup>	50.4	50.3	50.8	59.9	60.6	59.7	60.0	59.5	60.6	61.5	...
Guatemala	...	...	...	...	...	...	...	59.0	62.8	59.5	60.6 <sup>j</sup>
Honduras	48.5	47.2	49.7	49.7	50.5	50.5	50.3	48.9	48.3	51.1	51.5
Mexico <sup>k</sup>	55.8	58.0	59.2	59.1	58.7	57.4	57.4	57.8	58.5	58.2	57.3
Nicaragua	48.1	49.9	49.1	47.1	49.5	46.6	...	...	...	...	...
Panama	55.1	56.0	56.3	57.7	60.2	59.3	59.1	59.8	60.6	61.1	60.9
Paraguay <sup>l</sup>	56.1	55.8	52.7	55.3	57.0	57.1	55.9	56.2	57.8	59.9	59.7
Peru <sup>m</sup>	61.6	60.7	61.8	63.0	62.4	62.7	64.5	64.5	64.4	64.8	64.3
Uruguay	50.9	51.4	53.9	56.7	57.6	58.4	58.8	60.7	59.6	59.5	60.3
Venezuela (Bolivarian Republic of) <sup>g</sup>	58.0	58.0	58.9	59.4	60.2	60.0	58.9	59.0	58.7	59.3	60.4 <sup>n</sup>
<b>The Caribbean</b>											
Bahamas <sup>g</sup>	68.0	...	...	...	...	63.0	...	62.4	64.2	61.6	62.7
Barbados <sup>g</sup>	62.7	63.2	61.9	62.8	62.1	60.3	59.4	60.1	58.6	58.9	56.0
Belize <sup>g</sup>	53.3	52.8	52.2	56.0	54.3	...	...	...	55.8	56.7	...
Jamaica <sup>g</sup>	57.0	57.0	58.0	58.6	58.5	56.3	54.7	54.4	53.8	53.4	54.2
Trinidad and Tobago <sup>g</sup>	57.8	58.6	59.9	59.9	60.6	59.4	58.4	58.2	58.8	59.6	60.1 <sup>o</sup>
<b>Latin America and the Caribbean<sup>p</sup></b>	<b>53.8</b>	<b>54.4</b>	<b>54.9</b>	<b>55.4</b>	<b>55.8</b>	<b>55.4</b>	<b>56.0</b>	<b>56.6</b>	<b>57.0</b>	<b>56.8</b>	<b>56.5<sup>n</sup></b>

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of official information from household surveys conducted in the respective countries.

<sup>a</sup> Corresponds to 31 urban agglomerations.

<sup>b</sup> Data from 2009 on are not comparable with those of previous years because of a change in the measurement. The figure for 2010 refers to the first half-year.

<sup>c</sup> Six metropolitan regions.

<sup>d</sup> National total. Data from 2010 on are not comparable with those of previous years because of a change in the measurement.

<sup>e</sup> Corresponds to 13 metropolitan areas.

<sup>f</sup> Data from 2009 on are not comparable with those of previous years because of a change in the measurement.

<sup>g</sup> National total.

<sup>h</sup> In 2007, the definition of the working-age population changed from 10 years and over to 15 years and over.

<sup>i</sup> In 2007, the definition of the working-age population changed from 10 years and over to 16 years and over.

<sup>j</sup> Data refer to April-May.

<sup>k</sup> Corresponds to 32 urban areas. In 2005, the definition of the working-age population changed from 14 to 15 years.

<sup>l</sup> Nationwide urban total up to 2009. From 2010 on, the figures refer to Asunción and urban areas of the Central Department.

<sup>m</sup> Metropolitan Lima.

<sup>n</sup> Preliminary data.

<sup>o</sup> Average for the months of March, June and September.

<sup>p</sup> Weighted average. Includes an adjustment to the data to take into account methodological changes. Does not include the Bahamas, Belize, Guatemala, Nicaragua or the Plurinational State of Bolivia.

The fall in urban unemployment in Latin America and the Caribbean in 2014 was surprising in view of the region's low rate of economic growth. The first part of this report argues that the performance of labour markets over the past decade has made many households more resilient to adverse economic conditions. Accordingly, labour market participation came down more sharply than in previous low-growth episodes and informal employment showed no significant increase. Therefore, although this economic situation has depressed several indicators, others continue to yield relatively positive results. The region's labour markets still display structural weaknesses, however, and the performance seen in 2014 is unlikely to be repeated should growth remain lacklustre for a lengthy period.

From a rights perspective, ensuring social protection for all is essential for building societies whose development strategies are geared towards achieving equality. Recent social gains have been underpinned by the solid performance of labour markets in the past decade, as higher levels of formality have made it possible to expand the coverage of contributory social protection systems. High levels of labour informality persist in the region, however, and the current economic conditions will make it difficult to sustain the recent progress in formalizing employment. The second section of the report analyses the challenges facing the region in achieving universal social protection.