Technical note

Labour Overview in times of COVID-19

Impact on the labour market and income in Latin America and the Caribbean

| Second Edition

September, 2020

Summary

Latin America and the Caribbean are experiencing an unprecedented crisis in their labour markets as a result of the COVID-19 pandemic. The sharp loss of employment, hours worked, and income reflects the significant effects that the reduction in the level of economic activity has had on labour dynamics. The picture is even more worrying as these impacts have been uneven and the recovery path, which is slowly emerging in the region, could be accompanied by a widening of labour and income gaps between different population groups. This crisis would therefore be exacerbating the high levels of inequality that existed before the pandemic struck, even though countries have made significant efforts to rapidly implement a set of policies to support employment and income levels. The early adoption of strategies that continue to mitigate these impacts and underpin recovery will be key to strengthening labour institutions, particularly with regard to active labour market policies. In addition, occupational safety and health has become a relevant element of safe and healthy employment recovery strategies.

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1 This note was prepared by Roxana Maurizio under the coordination of Fabio Bertranou and with the collaboration and input of Bolívar Pino and the SIALC team, Marcela Cabezas, Juan Chacaltana, Gerhard Reinecke, Andrés Marinakis, Mauricio Dierckxsens, Diego Rei and Jürgen Weller.
The COVID-19 pandemic has caused economic recession in Latin America and the Caribbean of unprecedented magnitude and duration. The International Monetary Fund estimates a contraction of -9.4 per cent in regional GDP in 2020.

Latin America and the Caribbean is the region most affected in the world in terms of hours worked and labour income. During the first three quarters of this year, hours dropped by 20.9 per cent, while labour income declined by 19.3 per cent.

Given that the pandemic began erupting in most of the region’s countries around mid-March, the most significant labour impacts – especially in terms of employment, unemployment and economic participation – occurred during the second quarter of this year. The number of hours lost in those months reached 33.5 per cent.

Overall, in the nine countries for which information is available for the first half of 2020 (representing around 80 per cent of total employment in the region), 34 million workers lost their jobs (some of them temporarily).

In general, although with variations among countries, women—more than men—and young people (up to 24 years)—more than adults—have been experiencing job losses more intensely, thus widening previous employment gaps.

The fall in employment is not fully reflected in increases in the unemployment rate due to massive outflows of workers leaving the workforce. This gives this crisis unprecedented characteristics that make it different from previous episodes of strong job loss. A significant proportion of people who left the workforce say they are available to return to work, suggesting the temporary nature of these transitions.

Thus, the unemployment rate only partially reflects the magnitude of the difficulties the region is experiencing and needs to be complemented with other labour indicators in order to have a more complete picture of workforce underutilization. In this regard, the evolution of hours actually worked provides a more complete picture of labour market behaviour by considering not only declines as a result of job losses but also decreases associated with reductions in working hours or temporary suspensions.

Another novel effect of this crisis is that job loss has been more intense among self-employed workers than among wage earners, and deeper among informal than formal workers. As a result, the rate of informality temporarily fell very sharply in all the countries where information is available.

Considering that the most affected workers are located mostly at the bottom of the distribution, this will result in increases in the levels of inequality in the region.

To mitigate the devastating effects of this crisis on individuals and households, countries have acted quickly by expanding or implementing new programmes to support enterprises, jobs and incomes.
The crisis provides an opportunity to restructure labour and social protection institutions in order to advance in strategies that allow for more permanent labour guarantees and social protection floors, as well as to structure a comprehensive employment policy that accompanies or is part of the economic recovery strategy. Occupational safety and health have become a key element in recovery strategies with healthy and safe work environments.

1. Going through an unprecedented job crisis

The COVID-19 pandemic has caused economic recession in Latin America and the Caribbean of unprecedented magnitude and duration. The latest projections by the International Monetary Fund (IMF) estimate a contraction of -9.4 per cent in regional GDP in 2020, with drops of -11 per cent in Mexico, -9.1 per cent in Brazil, -9.9 per cent in Argentina, -7.5 per cent in Chile, -7.8 per cent in Colombia and -13.9 per cent in Peru. The September update by the Organisation for Economic Co-operation and Development (OECD) for the G20 countries further sharpens the picture for Argentina, with a projected drop of -11.2 per cent, while suggesting a less pessimistic outlook for Brazil and Mexico, with projections of -6.5 per cent and -10.2 per cent, respectively.

The previous ILO technical note "Labour Overview in times of COVID-19: Impacts on the labour market and incomes in Latin America and the Caribbean" (ILO, 2020a) was published in July 2020. It emphasized despite the region's recurring macroeconomic crises and in addition to the depth and scope of the current pandemic, an outstanding feature has been the speed of the impact through an immediate supply shock associated with the closure of economies and the confinement and distancing measures to reduce people's mobility, followed by an abrupt fall in aggregate demand. The sixth edition of ILO Monitor: COVID-19 and the world of work (ILO, 2020b) ranks the region as the most affected globally in terms of hours worked and labour income.

The outbreak of the pandemic in the region is taking place in a context already characterized by economic slowdown and slowdown or reversal of the labour improvements achieved in previous years, where structural characteristics associated with high labour informality, low average wages, significant wage gaps and weaknesses in social protection and health systems in terms of coverage and adequacy of benefits remain.

It is not surprising, therefore, that the macroeconomic crisis is having a very strong impact on the region's labour markets and, especially, on some segments of the population, amplifying existing labour and social gaps. One of the most salient differences in this crisis arises between those individuals and families who continue to receive all or part of their income and those who do not. This is not only because they have lost their jobs or are unable to develop their professions or trades, but also because a significant number of people who are still employed are absent from their jobs without pay, especially the self-employed, or are receiving only partial pay due to reduced working hours.

Furthermore, given the limited employment alternatives in this critical context and the supply shock associated with containment measures, job losses have not fully translated into transitions into unemployment but rather into exits from the workforce. This is why short-term adjustments in

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labour market variables are differing from previous crises, in which, in general, there were sharp increases in the unemployment rate and informality. Thus, the dynamics observed and discussed in this Note may not fully reflect those that may occur in the medium and long term, when health-related restrictions are relaxed and people go back into the labour market.

The current labour market outlook is even more worrying because the expected recovery for 2021 is weaker than that seen in previous crises and is likely to occur at different speeds depending on how the prolonged pandemic affects different sectors of the economy. The IMF estimates growth for Latin America and the Caribbean next year to be 3.7 per cent, significantly lower than the growth observed, for example, in 2010 (6.3 per cent) at the regional level, when the economy recovered more robustly from the 2008/9 crisis.

1.1 Adjustment to job loss: transitions into and out of the workforce

Given that the pandemic began erupting in most of the region's countries around mid-March, the most significant labour impacts – especially in terms of employment, unemployment and economic participation – occurred during the second quarter of this year.³

The average employment rate of the nine Latin American countries for which updated information is available for the first half of 2020 (Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico, Peru, Paraguay and Uruguay)⁴ was 51.1 per cent, representing a reduction of 5.4 percentage points (pp) compared with the first half of the previous year.⁵ The drop is even more significant when comparing the first two quarters of 2020, at around 9 pp, for this group of countries (Figure 1).⁶ This represents a historical low and means that around 34 million workers lost their jobs in the first half of the year. This sharp loss of employment implied transitions into unemployment and mostly strong outflows from the workforce.⁷ Indeed, the share rate also showed a record low, falling from 61.3 per cent to 52.6 per cent between the first and second quarters of this year in all nine countries. In the second quarter of 2019, this rate was 62.2 per cent. This meant that 32 million people were no longer economically active during the first half of 2020. As noted above, the significant drop fall in the economically active population is due both to confinement and distancing measures, and to unfavourable expectations about the functioning of labour markets that reduce incentives to seek employment for those who have lost a job.

These transitions, therefore, significantly mitigated the impact of job loss on unemployment. Thus, unlike other economic crises, the unemployment rate very partially reflects the magnitude of the difficulties faced by the region and therefore needs to be complemented by other labour indicators in order to have a more complete picture of workforce underutilization. Even so, this average indicator for the nine countries considered was 11.5 per cent during the second quarter, 2.2 pp higher than in the first quarter of this year. This translated into about 2 million additional jobless people who continued to look for work. Again, and even in these circumstances, this figure represents a peak that even exceeds the values recorded in previous crises in the region.

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4 It is important to note that analyzing labour dynamics is not an easy task because the pandemic spread across countries at different speeds and because statistics began to reveal labour changes and transitions in different ways. Further considerations are addressed in the Appendix.

5 Together, these countries accounted for 80 per cent of total employment in Latin America and the Caribbean in 2019.

6 There may be some comparability issues with data from previous years due to changes in the data collection method used (telephone) in employment and household surveys (see Appendix).

7 Although comparing these two quarters may be influenced by seasonality, it is used in order to observe in greater detail the short-term impacts of the economic crisis.

8 Since national statistical offices in the region have treated employed persons temporarily absent from work in different ways, the series presented in this report are not always comparable among countries.
Table 1 shows the change in the employment rate between the first and second quarters of this year, broken down into the nine countries considered. It also calculates what percentage of increase in the number of unemployed persons and increase in those outside the workforce accounts for in the drop in the number of employed persons. It can be seen that job losses translated into massive net outflows from the workforce, with these outflows representing 94 per cent of total job losses. The remaining 6 per cent translates into increases in the quantity of unemployed persons. The cases of Paraguay and Uruguay show a difference with the rest of the countries, since the total number of unemployed people in these countries even decreased (as it did in Brazil, albeit very slightly)\(^9\), where the non-economically active population was the only group to show a net increase.\(^{10}\)

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**Table 1. Change in Employment Rate and Transitions to Unemployment or out of the Workforce. Nine countries in Latin America, Quarter 1 - Quarter 2 2020\(^{11}\)**

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>Employment Rate</th>
<th>Percentage of transits from occupation to:</th>
<th>Unemployment</th>
<th>Out of the Workforce</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
<td>Var. (pp)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Argentina</td>
<td>52.5</td>
<td>42.8</td>
<td>-9.7</td>
<td>2%</td>
<td>98%</td>
</tr>
<tr>
<td>Brazil</td>
<td>53.5</td>
<td>47.9</td>
<td>-5.6</td>
<td>-1%</td>
<td>101%</td>
</tr>
<tr>
<td>Chile</td>
<td>57.3</td>
<td>45.6</td>
<td>-11.8</td>
<td>11%</td>
<td>89%</td>
</tr>
<tr>
<td>Colombia</td>
<td>53.8</td>
<td>43.7</td>
<td>-10.2</td>
<td>34%</td>
<td>66%</td>
</tr>
</tbody>
</table>

\(^9\) It could be assumed that this is a disincentive because the economic downturn discourages people who have lost their jobs from continuing to search actively. This assumption will have to be assessed at a later time when information for the coming months becomes available.

\(^{10}\) At this time, there is not enough information to identify the transfers that people have actually made between these statuses in employment during the first half of this year in these countries. This is why the net changes in the number of people in each of them are compared here.

\(^{11}\) For example, in Chile, workers leaving the workforce accounted for 89 per cent of the total drop in employment while transitions to unemployment accounted for the remaining 11 per cent. On the other hand, unemployment in Uruguay or Paraguay also reduced the number of people in this status, who joined the workers who lost their jobs and left the workforce, instead of being a “net recipient”.

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Therefore, if the population that lost its job – in some cases temporarily – had remained in the workforce (as unemployed) the impact on the unemployment rate would have been significantly higher. In the group of countries considered, it would have reached 24 per cent in the second quarter of this year. What this counterfactual exercise is intended to reflect is the size of the potential labour supply that is likely to return to the labour market as job-seeking restrictions are relaxed. This situation has become evident effectively impacting labour indicators and will be confirmed in the third quarter of 2020.

The transience of outflows from the workforce seems to be supported by the significant increase in people who are in this situation but who state they are available for work. In Mexico, for example, in a context where the total non-economically active population increased by 30 per cent in March and April this year, the increase in the subset of available persons was 240 per cent while the number of those not available decreased. Between those two months the first group went from representing 15 per cent to 40 per cent of the non-economically active population. In June, although lower, it still accounted for 29 per cent of the total non-working population. In Uruguay, in March, around 19 per cent of the inactive people who were available to work but were not looking for a job stated that they did not do so because of the economic situation. This percentage rose to 36 per cent in May, 28 per cent in June and 22 per cent in July.

Therefore, to the extent that these transitions into the workforce are more intense than those recorded in the job creation, the unemployment rate will most likely continue its upward trend. The environment of great macroeconomic uncertainty, together with the unfavourable expectations for economic growth in the region in 2021, make that scenario more likely.

An analysis of the particular dynamics of these indicators in each of the countries considered shows that all of them recorded a very sharp contraction in the quantity of jobs, as measured by the employment rate, between the first and second quarters of 2020 (Figure 2). The drops range from 3 to 4 pp (-6 per cent) in Paraguay and Uruguay, to 25 pp (-38 per cent) in Peru. The other countries have experienced falls at intermediate but significant levels: Brazil (-6 pp; -10 per cent) and Argentina, Chile, Colombia, Costa Rica and Mexico (around -10 pp, -20 per cent).

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>Employment Rate</th>
<th>Percentage of transits from occupation to:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>55.5</td>
<td>43.7</td>
</tr>
<tr>
<td>Mexico</td>
<td>57.8</td>
<td>47.0</td>
</tr>
<tr>
<td>Paraguay</td>
<td>65.6</td>
<td>61.6</td>
</tr>
<tr>
<td>Peru</td>
<td>66.6</td>
<td>41.3</td>
</tr>
<tr>
<td>Uruguay</td>
<td>55.6</td>
<td>52.9</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>55.7</td>
<td>46.5</td>
</tr>
</tbody>
</table>

Source: Prepared in-house based on SIALC/ILO.
Figure 2. Total Employment Rate, by gender and age. Nine Latin American countries, Quarter 1-Quarter 2 2020 (in percentage)

**Argentina**
- Total: 52.5% (Q1) and 62.0% (Q2)
- Man: 50.6% (Q1) and 43.9% (Q2)
- Woman: 42.5% (Q1) and 35.6% (Q2)

**Brazil**
- Total: 53.5% (Q1) and 63.3% (Q2)
- Man: 47.9% (Q1) and 44.5% (Q2)
- Woman: 57.9% (Q1) and 57.6% (Q2)
- 15 - 24: 53.8% (Q1) and 65.6% (Q2)
- 25 and more: 54.7% (Q1) and 33.1% (Q2)

**Chile**
- Total: 57.3% (Q1) and 68.1% (Q2)
- Man: 55.2% (Q1) and 47.0% (Q2)
- Woman: 45.6% (Q1) and 36.3% (Q2)
- 15 - 24: 53.8% (Q1) and 65.6% (Q2)
- 25 and more: 54.7% (Q1) and 33.1% (Q2)

**Colombia**
- Total: 53.8% (Q1) and 63.4% (Q2)
- Man: 54.7% (Q1) and 33.1% (Q2)
- Woman: 43.1% (Q1) and 35.2% (Q2)
- 15 - 24: 57.8% (Q1) and 73.8% (Q2)
- 25 and more: 43.4% (Q1) and 35.2% (Q2)

**Costa Rica**
- Total: 55.5% (Q1) and 68.2% (Q2)
- Man: 56.4% (Q1) and 42.8% (Q2)
- Woman: 43.7% (Q1) and 33.6% (Q2)
- 15 - 24: 55.5% (Q1) and 61.0% (Q2)
- 25 and more: 61.0% (Q1) and 49.0% (Q2)

**Mexico**
- Total: 65.6% (Q1) and 78.5% (Q2)
- Man: 72.1% (Q1) and 41.3% (Q2)
- Woman: 44.3% (Q1) and 33.4% (Q2)
- 15 - 24: 66.6% (Q1) and 74.8% (Q2)
- 25 and more: 47.4% (Q1) and 33.4% (Q2)

**Paraguay**
- Total: 65.6% (Q1) and 81.6% (Q2)
- Man: 75.8% (Q1) and 47.9% (Q2)
- Woman: 45.8% (Q1) and 26.0% (Q2)
- 15 - 24: 72.1% (Q1) and 68.3% (Q2)
- 25 and more: 49.3% (Q1) and 33.4% (Q2)

**Peru**
- Total: 55.6% (Q1) and 62.5% (Q2)
- Man: 50.6% (Q1) and 45.8% (Q2)
- Woman: 49.3% (Q1) and 45.8% (Q2)
- 15 - 24: 55.6% (Q1) and 62.5% (Q2)
- 25 and more: 49.3% (Q1) and 45.8% (Q2)

**Uruguay**
- Total: 55.6% (Q1) and 62.5% (Q2)
- Man: 60.6% (Q1) and 50.6% (Q2)
- Woman: 49.3% (Q1) and 45.8% (Q2)
- 15 - 24: 55.6% (Q1) and 62.5% (Q2)
- 25 and more: 49.3% (Q1) and 45.8% (Q2)

Source: Prepared in-house based on SIALC/ILO.
Job losses have not been the same for all population groups in each of the countries surveyed. Indeed, in every case it is women -more than men- and young people (up to 24 years) -more than adults- who have suffered, in relative terms, the most from job losses (Figure 2). Thus, while the range of falls in male employment goes from 3 per cent to 34 per cent, female employment ranges from 7 per cent to 43 per cent. Similarly, in the four countries for which additional information is available on employment trends by age group, job losses among adults have ranged from 5 per cent to 20 per cent, but have reached as high as 45 per cent among young people.12

As mentioned, these trends significantly exacerbate the employment gaps that existed prior to the pandemic. In the case of women, this is due to their increased presence in certain economic sectors heavily affected by this crisis, the higher rate of informal employment (which, as described below, fell more sharply than total employment), and the increasing difficulties of reconciling paid work with family responsibilities in a context where education and care services have been profoundly altered by health measures for distancing and reducing people’s mobility.

As noted in ILO (2020a), women were over-represented in some of the sectors severely affected by this crisis, such as hotels and restaurants, other service activities and the household sector as employers, where the average female presence for the region was in the order of 61 per cent, 59 per cent and 81 per cent, respectively.13 Indeed, the different sectoral composition of employment between men and women has been one of the key factors channelling the impacts of job losses by gender. For example, in Costa Rica the five most affected productive sectors accounted for more than half of female employment in 2019. Among them was domestic service, where total employment dropped by almost 46 per cent between April and June (ILO, 2020c). Job loss in this sector has also been very abrupt in the case of Chile, where the fall was almost 48 per cent in those same months (ILO, 2020d). In Bolivia, while total employment in urban areas fell by 16 per cent between February and May, it fell by 22 per cent in domestic service.

In addition, the share of formal wage earners in these sectors is extremely low: between 19 per cent and 26 per cent. This picture is even more complex if it is taken into account that, on average, the segment of workers in high-risk activities (i.e. sectors where the level of economic activity has dropped sharply) or medium-high, where these activities are included, earn reduced labour income, which is below the average for all workers. This is partly associated with the higher incidence of informality among wage earners and self-employment, especially self-employment, where the incidence of informal workers is also very high.

Consequently, the loss of employment in these productive sectors with a greater presence of women is associated both with the abrupt fall in the levels of economic activity and with the greater instability of certain jobs. The fact that labour income is relatively low suggests that those who lose their jobs do not have sufficient prior financial resources (backing) to have adequate living standards in the absence of a source of labour income.

Finally, while women also predominate in activities with a low risk of job loss in the context of a pandemic, such as health and social services, they are disproportionately exposed to risks of infection and/or

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12 The picture could be different if the percentage point variations are analyzed because of the significant divergences in initial employment rates between population groups.

13 Although the presence of women in the education and health sectors – which were less affected by the crisis – is also high, this has not offset the heavy job losses in other economic activities.
extended working hours. In particular, health workers, many of whom are women, face increased professional demands as family care demands have increased (ILO, 2020e).

In the case of young people, according to ECLAC-ILO (2020a), the greatest job loss is also associated, at least in part, with their sectoral integration. In particular, the incidence of youth employment is high in hotels, commerce, personal services (with the exception of public administration, health and education) and construction, activities that have been strongly affected by the pandemic.

Additional information shows the different impacts on those employed with different levels of education. In Metropolitan Lima, for example, in the May-July quarter, the year-on-year loss in the number of employed persons was 40 per cent, but the loss reached 52 per cent among those with elementary education, while it was 32 per cent among those with a university education. In Costa Rica, the loss among those with incomplete secondary education or less was higher. It is possible that this is linked to the higher likelihood that people with lower levels of education have of entering informal jobs, the lower likelihood of teleworking and its greater incidence in certain productive sectors strongly affected by this crisis.

As mentioned, a significant part of the job losses resulted in outflows from the workforce. Again, these transits have not been homogeneous among the population, but have been stronger among women, young people and those with lower levels of education. While losses for men range from 3 to 17 per cent, for women the range is 11 to 21 per cent. A similar picture emerges among young people for whom job losses have strongly translated into withdrawals from the workforce. In particular, the decline in the economic participation rate of 15-24-year-olds has been two to three times that of those aged 25 and over (Figure 3).

Figure 3. Total Economic Participation Rate, by gender and age. Nine Latin American countries, Quarter 1 - Quarter 2 2020 (in percentage)
While, as noted, the significant job loss is not entirely reflected in increases in unemployment, the unemployment rate increased in almost all the countries considered here (Figure 4). Again, and as a result of the above, these transits have been different depending on the population group. Indeed, the increase in unemployment has been proportionally higher among men, which means that the abrupt loss of jobs, particularly among women, translated more intensely into them leaving the workforce, while a higher proportion of men continued to search for a job.

A similar picture emerges when comparing adults with young people, where the gap in unemployment incidence narrowed between the two groups. In particular, adults – with lower previous unemployment rates than young people – experienced relative increases in this indicator of between 1.3 and 2 times that of persons under 25 years of age.

It is therefore clear that the “adjustments” in the labour market to unemployment have been different between men and women on the one hand and between young people and adults on the other. These movements could slow down or even go back to previous trends such as the increasing insertion of women into the world of work, due to the more pessimistic scenario and the fewer opportunities that the labour market offers, and will offer, in addition to the already mentioned fact that education and care services have been severely affected, increasing the weight of family responsibilities upon them.

This situation adds to the greater historical difficulties experienced by young people in the region’s labour markets. In fact, they face greater intermittent jobs, partly because of the intense inflow and outflow of the workforce. The greater occupational instability, in turn, is associated with their greater prevalence in informal, precarious and low-skilled activities. For those adolescents who enter the labour
market early and, in general, for young people with little work experience and less development of work skills, the high occupational turnover undermines the possibility of developing specific skills, thus making their future work path more difficult. In turn, less experience reduces, especially in contexts of low labour demand, the likelihood of accessing a job and increases the chances of dismissal. This situation may be accompanied by an increase in the discouragement effect which results in lower incentives to both find a job and start or continue their education.

Finally, when both dimensions – gender and age – are combined with socio-economic status, the labour market landscape becomes even more complex, as young women with low incomes are often more likely to move and stay out of the workforce or face greater difficulties in accessing a job. Therefore, these movements in the labour market can generate significant unfavourable distributional impacts not only in the short term but also in the long term.

**Figure 4.** Total Unemployment Rate, by gender and age. Nine Latin American countries, Quarter 1-Quarter 2 2020 (in percentage)
1.2 The sharp loss of hours worked, increased suspensions, and absenteeism

As noted, in the context of this economic crisis with its own characteristics, neither the unemployment rate nor the employment rate are complete measures of the significant difficulties faced by the labour markets. **This is why another key indicator is the hours actually worked.** Indeed, the variation in the average number of hours worked by the working age population may be affected not only by the destruction of jobs (which reduce hours worked to zero) for unemployment or inactivity, but also by temporary suspensions (which also bring this value to zero) and by reductions in working time (which partially reduce it). In this way, average hours worked reflect in aggregate the overall underutilization of the workforce, not only because it is not employed but also because it is not fully employed.

Therefore, given the various adjustments that are taking place in labour markets as a result of the crisis, the ILO has estimated the loss of hours worked globally and by region. The latest estimates from September (ILO, 2020b) show that Latin America and the Caribbean is the region with the largest loss in working hours in the world, with an estimated loss of 20.9 per cent for the first three quarters of 2020 compared to the fourth quarter of 2019. This is almost double the global estimate of 11.7 per cent. It is interesting to note that, like the evolution of other labour indicators already analyzed, the largest loss in hours worked occurred in the second quarter of this year (-33.5 per cent) while in the third quarter the fall was less steep (-25.6 per cent). Again, the gaps with the world average are very significant, with drops of 17.3 per cent and 12.1 per cent in these two quarters, respectively.

The drop in hours worked and the increase in absenteeism – that is, those who have not been working in the reference period but who continue to have an employment relationship with their employer or have expectations of returning to work in the case of the self-employed -14 is particularly evident in the second quarter of the year. The employment support measures implemented by the countries of the region have helped to keep employment relationships even when workers are temporarily not performing the tasks.

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14 See Appendix for considerations on treating absent workers.
In Colombia, for example, the proportion of informal self-employed workers without income rose from 4.2 per cent in May 2019 to 30 per cent in May 2020. Among formal self-employed workers, these figures were 1 per cent and 21 per cent, respectively. A similar picture, albeit with less intensity, is observed among wage earners, where these values were 1 per cent and 18 per cent among the informal, and 0.4 per cent and 5.2 per cent among the formal.

In Argentina, on the other hand, the rate of suspensions of formal employees in the private sector has experienced a growing trend and has registered historical highs since March. In July 2020, the percentage of suspended workers was 8.4 per cent (0.8 per cent in March 2020) while 19 per cent of companies resorted to suspensions (5 per cent in March). In the same country, the proportion of absent workers was 21 per cent in the second quarter of this year, compared to 2.6 per cent in the same period in 2019.

In Paraguay, around 94,000 job suspensions were reported as of 18 June 2020, i.e. 18.5 per cent of formal workers in the private sector.

In Chile, absenteeism accounted for about 19 per cent of total employment in the May-July 2020 quarter, more than doubling its value in the last 12 months. In Mexico, the incidence of temporarily absent employment with employment relationships was only 3.8 per cent of total employment in July 2019. This figure rose to 22 per cent in April this year. Although this percentage began to fall after that peak, by July of this year it was double that of the previous year.

In Uruguay, employed persons temporarily absent from their jobs represented 9.4 per cent of the total number of employed persons in March, compared with 5.4 per cent in the same month of the previous year. This figure rose even further in April, reaching a peak of 23.7 per cent. Although the figures for the following two months were lower than this record (16 per cent in May and 10.6 per cent in June), in all cases they remained high in the year-on-year comparison. The latest available figure for July was 8.6 per cent, lower than the March figure (9.4 per cent). When analyzing the reasons for absence in April, suspension or quarantine due to COVID-19 were clearly the main reasons (explaining around 37 per cent), followed by those covered by unemployment insurance. In the following three months, the latter cause explains the majority of absences (37 per cent in July) while the relative importance of the former cause drops (15 per cent).

**In addition to the higher incidence of absenteeism, the reduction of effective working hours among those employed has also been another adjustment path in some countries of the region.**

In Costa Rica, 20.5 per cent of people were underemployed in the second quarter of 2020, representing an increase of 10.3 pp over the same quarter of the previous year. In turn, 26.8 per cent worked fewer hours per week in the second quarter than they normally do. In Mexico, the underemployment rate was 7.9 per cent in July 2019 and rose to 30 per cent in May this year, with 20 per cent in June and 18.4 per cent in July.

In Metropolitan Lima, the visible underemployment rate also increased steadily in recent months in relation to the February-April 2020 quarter, when 13.3 per cent of the employed population was involuntarily working less than 35 hours a week. That value was about 18 per cent in the May-July quarter of this year.

Finally, in Chile, the number of effective hours worked in the May-July quarter fell by 32 per cent compared to the same quarter of the previous year. In Paraguay, hourly underemployment did not vary significantly in the second quarter of 2020 (7.7 per cent) compared with the same period in 2019 (7.9 per cent). However, it was slightly higher than in the first quarter of this year (6.6 per cent), which can be explained by what happened in rural areas.
1.3 The adjustment mechanism unenabled: the massive loss of informal and self-employment jobs

As anticipated in the technical note "Labour Overview in times of COVID-19. Impacts on the Labour Market and Income in Latin America and the Caribbean" (ILO, 2020a), in this exceptional context some adjustment channels in the labour markets are cushioned while others are exacerbated. As paid employment falls, self-employment often plays a counter-cyclical role. In fact, this has been the case in recent years and in previous crises. However, this "traditional mechanism" weakens or disappears at this juncture, where these occupations as well as informal wage earners have been strongly affected. Given this picture, the countries of the region have quickly implemented or expanded income transfer programmes in order to reach the most affected population, many of them previously employed in the informal sector (see section 4.3).

A significant proportion of self-employed workers was not included in the exception of distancing and reduced mobility; yet, many of them are self-employed, do not work from home and have limited possibilities of teleworking. In turn, transitions between these types of occupations and economic inactivity tend to be very frequent in the countries of the region. This is explained by both lower rates of retention in informal or self-employment jobs (higher occupational instability) and higher rates of exiting the workforce once they leave such jobs. These behaviours were exacerbated in the context of confinement.

In Costa Rica, for example, self-employed occupations represent 22 per cent of total employment, but accounted for about 28 per cent of the decline between the first and second quarters of 2020 (ILO, 2020c). In Mexico, the impact of the pandemic has also been broken down, where the overall proportion of dependent employment increased by around 6 pp between March and May of this year, compared to the reduction in the other occupational categories (ILO, 2020f). Something similar occurred in Argentina, where the share of self-employment fell from 22.3 per cent to 19.8 per cent between the first and second quarters of this year, after having experienced an upward trend during 2019.

In Colombia, however, the situation is different, as the number of self-employed workers dropped by 19 per cent in May 2019 as well as in May 2020, while those wage earners fell by around 26 per cent. When each of these two groups is analyzed in detail, it becomes evident that it was the informal workers, i.e. workers in private sector companies and domestic workers, who suffered the greatest loss (-50 per cent), followed by the formal self-employed (-32 per cent). However, these figures must be considered together with those for hours worked. In particular, informal self-employed workers is the group with the highest rate of absence from employment, where about one third of them did not actually work for temporary reasons, mostly associated with confinement and mobility restrictions (ILO, 2020g). Again, this points to the inadequacy of a single labour indicator and, therefore, the need to consider a broad set of them in order to better assess and understand the specific impacts of this crisis on the region's labour markets.

In this sense, the dynamics followed by formal and informal employment differ, in many cases, from those observed in previous economic crises. Despite the measures implemented in a large number of countries to contain formal paid employment, which have undoubtedly helped to limit job losses, data from administrative records also show significant declines in this type of employment. This is shown by two main indicators, the downward trend in the number of workers covered by social security and the increase in the number of recipients of unemployment insurance.

Thus, for example, the number of persons insured in the Costa Rican Social Security Fund (CCSS) has been reporting falls year-on-year since April this year. In July it experienced a reduction of 58,000 contributors, representing a fall of around 3 per cent, similar to that recorded in the previous two months (Figure 5).

According to the ILO (2020c), the greatest losses were observed in hotels and restaurants (-26 per cent), associated with the strong contraction in the level of activity in the sector. In monthly terms, after the sharp loss in April and May, the total number of contributors remained relatively stable over the following two months.
There has also been a drop in the number of people insured by the Mexican Social Security Institute (Figure 6) since April this year. In June, there were around 1 million fewer insured people than in March. Moreover, the 4.3 per cent year-on-year drop makes it the highest in the period under consideration, slightly higher than that observed in the context of the international crisis of 2009. According to the ILO (2020f), most of the formal jobs lost were permanent jobs, of which around 30 per cent were held by women.
In Uruguay, there have been very significant increases in the use of unemployment insurance. According to the ILO (2020h), around 80,000 people filed for insurance relief during the months of March and April, representing a historic record. Although the number of registrations was lower (46,000) in May, it continued to be significant. As a result, the number of beneficiaries increased from an average of 45,000 before the pandemic to 185,000 in April and May. The reasons for these increases are, first, the temporary suspension and, second, the reduction in the working day or hours worked.

In Chile, the number of contributors to the unemployment insurance system has also shown a downward trend in recent months (Figure 7). In particular, the year-on-year reduction in April 2020 of around 5.2 per cent was followed by a larger reduction (-6.9 per cent) in the following month. According to the ILO (2020d), the fall in April was strongest in arts, entertainment and recreation, accommodation and catering, and construction sectors.

In Brazil, there has also been a drop in a year-on-year since April, but this became sharper until June, when the number of employed people in the private sector fell by 2.5 per cent compared with the same month last year. In July, the fall was slightly less sharp, 2.2 per cent.
Finally, in Argentina, after consecutive monthly falls in the number of private wage earners registered with the social security since the beginning of 2018, this fall was exacerbated by the pandemic when showed a drop of 2 per cent in April compared to March and 5 per cent compared to the same month in 2019 (Figure 9). Although the downward trend continued in the following months, it slowed down.

**Figure 9.** Monthly and year-on-year change (per cent) in the number of private employees registered with social security, Argentina February 2009-June 2020 (in percentage)

The information provided by companies also reflects a complex picture regarding the dynamics of hiring and terminating formal employees. Again, in Argentina, the monthly job entry rate has been at an all-time low since April, even lower than during the macroeconomic crisis of 2002 (Figure 10). However, exit rates have also been falling, albeit to a lesser extent. In general, the behaviour of employment demand in the face of an economic crisis tends to become evident initially through lower hiring rates and followed by higher termination rates. This sequence in the adjustment is further explained by both the employment retention policy and the ban on termination adopted in this country and by the decline in resignations. In any case, during the months of June and July the entry rate has increased slightly, although it continues at depressed levels.

**Figure 10.** Entry rate, exit rate and net monthly change in formal paid employment in Argentina, 2001-2020

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**Source:** Prepared in house based on data provided by the Comprehensive Pension System of Argentina.

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**Source:** Prepared in house based on data from the Labour Indicators Survey, Argentina.
This evidence therefore seems to suggest that the negative impacts of the economic crisis on formal employment were the sharpest in April and May. In the cases for which subsequent information is available, there is some stability in the number of formal workers. As will be discussed below, some of the region’s countries have implemented mechanisms to support this type of employment. Therefore, the dynamics of formal employment in the coming months will depend, among other factors, on keeping these policies together with the increase of the level of activity and the demand for labour.

Even more intense than the fall in formal employment is the reduction in informal wage employment and, even more so, in self-employment, most of which is also informal. This greater loss has meant that the rate of informality has fallen (temporarily) in all countries where information is available, in the context of the widespread collapse in labour demand, especially in the early months of the pandemic (Figure 11).

![Figure 11. Change in informality rate during 2020, selected Latin American countries (in percentage)*](attachment:Figure_11.png)

*The blue bars reflect the situation before COVID-19, while the red bars reflect the situation immediately after. Argentina considers only salaried workers. Source: Prepared in-house based on data from the jobs and household surveys of the participating countries.

For example, there was a loss of 10.4 million informal jobs in Mexico in March and April this year compared to a reduction of 2 million formal jobs. This made the informality rate drop 8 pp, from 55.7 per cent to 47.7 per cent. In Costa Rica, the informality rate fell sharply from 47 per cent to 39.8 per cent between the first and second quarters of 2020. In Argentina, the percentage of wage earners without a pension discount fell by 12 pp (from 36 per cent to 24 per cent) in the same period.

In Chile, informal occupations showed larger drops (-16 per cent) than formal jobs (-4.6 per cent) in the February-April 2020 quarter compared to the January-March quarter. The informality rate thus fell from 29 per cent to 26.3 per cent in that period.

The counter-cyclical adjustment mechanism for informal jobs, which is often observed in the region in the face of weak formal job creation, has therefore been severely weakened at this particular juncture. This is explained by a number of factors. Among others, the higher rate of informality shown by some productive sectors that had to stop their activities because they were not included among the essential ones. This is compounded by the greater ease with which an unregistered wage-earner relationship can be interrupted and the greater incidence of this type of occupation in smaller, less productive enterprises, which find it more difficult to endure long periods of inactivity. On the other hand, and as mentioned, measures to sustain formal employment are also a fundamental factor in explaining these divergent dynamics.

In short, labour markets in the region have experienced the impacts of the economic crisis caused by the COVID-19 pandemic mostly during the second quarter of this year. This crisis is exceptional in both its magnitude and its characteristics. This is all the more problematic because the informal
workers, women, young people and those with lower levels of education are generally those who have experienced the greatest job losses. Given that these workers, on average, are in the lower half of the distribution, that they generally do not have sufficient economic support to endure long periods without a job and that labour income accounts for most of a household’s income, the loss in labour demand ends up having very unfavourable distributional impacts.

The following section analyses in greater detail the dynamics observed in labour markets in recent months in order to assess whether the region has already experienced the sharpest impacts of the crisis and whether a recovery path can be envisaged.

2. Is the decline in economic activity and employment being halted?

After the sharp loss in the level of activity, mainly in March and April 2020, when the containment and isolation measures adopted had a strong impact on the economies of the region, a turning point in this loss seems to have been observed, with the beginning of a recovery process in May or June, depending on the country (Figure 12). In all cases, however, the June/July record is lower than early 2020 levels.

![Figure 12. Indicator of the level of economic activity (seasonally adjusted data), January-July 2020. Index January 2020=100](image)

In this context, it is therefore appropriate to analyze the dynamics experienced by the rate of employment, unemployment and labour participation in some of these countries in order to assess the extent to which these economic dynamics translate into labour movements that differ from those observed in previous months. In particular, whether the deterioration in employment has been halted or even reversed.

2.1 The gradual recovery process of economic activity while the pandemic persists

The previous technical note "Labour Overview in times of COVID-19. Impacts on the labour market and income in Latin America and the Caribbean" (ILO, 2020a) mentioned that, to the extent that confinement and restrictions on mobility were relaxed while progress was made in reopening economic activities, certain transits observed in the preceding months could be transitory and could be reversed in the short term. On the one hand, the enterprise and job support policies implemented by the countries of the region (discussed below) have partially contained transitions from employment to unemployment or inactivity. Employment trends will therefore be influenced, among other factors, by the scope and...
duration of these measures. In the opposite direction, the significant reduction in informal paid jobs and self-employment which involved transitions into unemployment is likely to be reversed, albeit partially. However, transitions out of the workforce can also change direction and possibly result in increasing the unemployed population. The net result of all these transits, in turn, may change depending, among other factors, on the intensity of the economic recovery.

The updated information on labour market performance available for a limited set of countries seems to show dynamics that are consistent with those observed in the economic field (Figure 13). In Metropolitan Lima, after a 25 per cent loss in the number of people employed in the February-April quarter compared with the same period a year earlier, the drop was even sharper in the following two quarters: 47.6 per cent (March-May) and 55 per cent (April-June). However, even though employment continued to fall year-on-year in the May-July 2020 quarter, it did so less sharply (40.2 per cent), showing an increase from the previous quarter (Figure 12). In any case, despite the change in sign, the number of employed people, 2.9 million, represents around 58 per cent of the total at the end of 2019, which is a minimum value for the whole period under consideration.

Figure 13. Evolution of the number of employed people in selected Latin American countries

Chile, 2010-2020 (in thousands)

Lima Metropolitana, 2013-2020 (in thousands)

Source: National Employment Survey (INE, Chile).

Source: Permanent Employment Survey (INEI, Peru).

Colombia, 2010-2020 (in thousands)

Mexico, 2005-2020

Source: Large Integrated Household Survey (DANE, Colombia).

Source: ENOE/ETOE (INEGI, Mexico).

15 Comparability is subject to some considerations which are summarised in the Appendix.
A similar picture emerges in Colombia where, after the sharp fall in the number of employed persons in March and April 2020 (when the figure for that month was approximately 25 per cent lower than for the same month in 2019), employment began to show positive monthly variations in both May and June. In Mexico, this change in the evolution of employment can also be observed. In particular, after the sharp loss of around 22 per cent of jobs in March and April this year, the change in the quantity of jobs shifted, recovering approximately half of that loss by July.

Similarly, in Chile, after registering an 8 per cent drop in the number of employed persons in the February-April 2020 quarter compared with the same quarter in 2019, the fall was sharper in the following months with year-on-year falls of 17 per cent (March-May) and 20 per cent (April-June). However, the year-on-year fall in the following quarter (May-July) was as steep (21 per cent). In the Plurinational State of Bolivia, the quantity of jobs dropped by 16 per cent in March and May, and then increased in June but stopped in the following month. In Uruguay, meanwhile, although employment fell during March and April, the recovery in the following two months brought the June employment rate down to 5 per cent below the February figure. This process seems to have stopped in July when the employment rate was similar to that of the previous month. In turn and hand in hand with increased mobility, the percentage of teleworking has been falling systematically since April, from 19 per cent to 12 per cent in July.16

As analyzed in the previous section, concomitant with job loss, the region experienced an abrupt growth in new unemployed between the first and second quarters of this year, even though, as mentioned, this indicator only partially reflects the magnitude of impacts of the crisis on employment. A detailed analysis of the dynamics within these periods shows that the greatest impact is observed, once again, in the months of March and April (Figure 14).

16 Teleworking will be addressed as a special theme in the annual regional publication Employment Overview 2020 scheduled for December.
In particular, the unemployment rate in Chile, after increasing by 3 pp between the January-March and March-May quarters, reaching a maximum level of 11.3 per cent (even higher than that experienced a decade ago amidst the international financial crisis) continued to rise, although only by 1 pp, in the two consecutive quarters, reaching 13.1 per cent in the May-July quarter.

In Metropolitan Lima, after experiencing an increase in the unemployment rate of 6.4 pp in the March-May 2020 quarter compared with the same period in 2019, this indicator continued to grow less strongly during the following quarter and remained relatively constant (around 16 per cent) in the May-July quarter. In Mexico, meanwhile, the July rate was very similar to that of the previous month, following increases since April. In Colombia, after the jump of around 7 pp between March and April, the unemployment rate increased less in the following month and then remained relatively constant between June and July, at around 20 per cent. On the other hand, in Uruguay, it did not vary much during April and May, but showed an increase in June that remained unchanged in July.
Therefore, the rise in employment in these countries has been accompanied by a slowdown in the rise in unemployment or some stabilisation (except in Bolivia), but it has not been sufficient to generate falls in this indicator. As mentioned, this is associated with the return to the workforce of the temporarily inactive population (Figure 15). In fact, in Metropolitan Lima it increased by 10 pp in the May-July quarter compared to the previous quarter. This contrasts sharply with the sharp year-on-year fall in the participation rate (-56 per cent, -35 pp) in the April-June quarter. This change can also be seen in Colombia. After falling in March and April, this rate has increased in the following months. However, given the significant previous loss, the proportion of the population within the workforce still shows historic lows.

**Figure 15. Changes in the Economic Participation Rate in Latin American countries (in percentage)**

Chile, 2010-2020

Source: National Employment Survey (INE, Chile).

Lima Metropolitana, 2013-2020

Source: Permanent Employment Survey (INEI, Peru).
In Chile, after the drops experienced mainly from the February-April quarter to the April-June quarter, where the participation rate contracted by 6 pp, it remained relatively stable in the May-July period. This strong return to the workforce is also clearly visible in urban areas of the Plurinational State of Bolivia and in Uruguay.

Finally, the EAP in Mexico declined by 12.3 pp (from 59.8 per cent to 47.5 per cent, ~12 million people) between March and April 2020. Most of them were still available for work. As expected, these transitions also began to be reversed. Indeed, of the 12 million people who left the EAP in April, about 7.2 million had returned by July this year.

Therefore, this evidence clearly shows, once again, that the unemployment rate is a limited indicator to fully understand the breadth and depth of the unprecedented impacts that this crisis has had in the region's labour markets. On the other hand, even though the region seems to have begun a process of return to and normalization of productive activity and, with it, of employment, the gaps existing in pre-pandemic situations are still very significant.
a process of return to and normalization of productive activity and, with it, of employment, the gaps existing in pre-pandemic situations are still very significant. In particular, the range of reduction in the number of employed persons as of June or July in the countries considered here is from -7 per cent to -41 per cent. Moreover, the economic participation rate is still at historically low levels, where a large proportion of people outside the workforce are available for work.

2.2 Partially Returning to Productive Activities: Widening Gaps?

As noted, the sharp reduction in the employed population and the significant increase in outflows of the workforce varied throughout the different groups of people. Nevertheless, they were stronger among women, informal workers and youth. The picture is, in some cases, even more complex when looking at the characteristics that labour indicators have been adopting in recent months in these population groups, within the framework of the gradual process of deconfinement and reopening of economic activities with the persistence of the pandemic.

In Mexico, for example, the return of 1.5 million people to the labour market in June and July (in addition to the increase of 5.6 million in May and June) was observed exclusively among men; in the case of women, the figures decreased, albeit weakly. If the value of July 2020 is compared with the same month in 2019, the male participation rate has fallen by 7 per cent while the rate for women has fallen by 13 per cent.

In Metropolitan Lima, the EAP year-on-year falls have been consistently higher among women, young people and those with lower levels of education. However, the partial recovery observed in the last quarter with respect to the previous one has been the same among men and women. In any case, total the EAP was 33 per cent lower than that recorded in the first quarter of the year, with this variation being in the order of -30 per cent in the case of men, -35 per cent in women. -46 per cent for young people and -52 per cent for those with primary education.

Significant differences also emerge in employment dynamics depending on the groups of workers. In Mexico, the employed population increased by 1.5 million in July over the previous month, a similar figure to that mentioned above for the EAP, so that the unemployed population remained unchanged. However, this is the result of an increase of 2.2 million in the case of men and a fall of around 700,000 in the case of women.

In Metropolitan Lima, the increase of 33 per cent in the number of employed people between the May-July quarter and the previous one was 28 per cent among people with a lower level of education. This group accumulated a drop of about 54 per cent during the year, while this value is 30 per cent among university students. Nevertheless, the increase in jobs in recent months has been similar for both men and women, which, in any case, does not offset for the greater relative loss they experienced when the impacts of the health crisis became apparent.

Another aspect particularly relevant when analyzing the composition of recent labour market flows by occupational category. Thus, while Mexico reported a reduction in paid employment in June and July (-2.8 pp), the opposite occurred among the self-employed (+1.9 pp). These dynamics are even more striking in the case of women, as there is a sharp monthly fall in the proportion of female wage earners (-6.2 pp) in favour of self-employed workers. The occupational breakdown between both genders thus resembled that observed in July 2019. This is likely to reflect the return to the labour market of those workers who withdrew from the workforce due to containment measures and who, as such measures are lifted, return to a self-employed occupation.

Finally, as mentioned, the rate of informality experienced a very strong contraction in several countries in the region, much larger than that of formal employment. In recent months, however, this situation has begun to reverse in some countries, as informal workers have been able to return to their work activities and use public spaces because health and mobility restrictions have been lifted.
In Chile, the informal employment rate dropped sharply by 6.6 pp between the January-March and April-June quarters, the rate remained constant in the May-July quarter. In the case of Mexico, the dynamics are more striking. After falling by 8 pp between March and April, the rate has been growing systematically, and in July it was in the order of 55 per cent, 1.9 pp higher than in the previous month and around 1.6 pp lower than in July 2019. This is partly associated with the dynamics of self-employment, where informality is higher.

Overall, the higher growth of informal jobs in recent months may be partly due to the fact that they experienced the previous downturns most sharply- in a context where formal jobs show a higher structural rate of stability, which was underpinned by policy measures to support them – and thus some reversal of those trends is now observed. This situation could be even more intense in the case of self-employed workers, many of whom had not been included in the essential workforce, preventing them from continuing to offer their work.

The picture becomes more acute when considering the destruction of formal enterprises and the resulting job losses. According to ECLAC (2020), more than 2.7 million formal businesses will close in the region during the year, with an estimated loss of 8.5 million jobs.

In addition, companies that will continue to operate will do so at with lower production volumes and hence will downsize.

Therefore, it is expected that some trends will be strengthened while others will be weakened in the coming months. In particular, the return to work will continue as confinement measures are lifted and countries move towards more flexible stages. Moreover, at this juncture the "additional worker" effect could appear, adding a new flow of people into the workforce. Depending on the intensity of these movements towards the gradual reopening of economic activities – which will, however, be strongly affected by the abrupt contraction of aggregate demand, flows will be directed more towards one job or more towards unemployment. Therefore, the unemployment rate is likely to start or continue increasing.

On the other hand, the dynamics of formal employment will depend not only on the economic situation but also on the continuity of measures to support it. However, it is expected that hours worked will be recomposed or that absent workers will return before a significant net growth in these occupations is observed. In this regard, the Central Bank of Chile's projections are very pessimistic, as they estimate that 47 per cent of companies will lay off workers who are covered by the Employment Protection Law. At the same time, data for Uruguay show that around 56 per cent of those absent in June were still in this situation in July, but 10 per cent had already moved towards unemployment or inactivity. Finally, taking into account what has been observed in previous crises, it is also possible to observe a process of labour informalization that adds to the already very high levels of informality in most countries of the region. The formal labour deficit, in turn, will become more evident for certain groups of workers such as youth, women, and low-skilled adults.

3. Massive Labour Income Losses

As a result of the sharp contraction in employment and hours worked, the world and the region have been experiencing a deep contraction in labour market earnings. Recent ILO estimates (2020b) suggest a global loss of 10.7 per cent in labour income during the first three quarters of 2020, equivalent to 5.5 per cent of the first three quarters of global GDP in 2019. However, consistent with the above, the loss in total labour income is significantly higher in Latin America and the Caribbean, in the order of 19.3 per cent.

In Metropolitan Lima, nominal labour income dropped by an average of 8.1 per cent in the March-May 2020 quarter compared with the same quarter in 2019. This, together with the employment contraction, resulted in a fall of more than 50 per cent in the wage-earning group. This downward trend continued strongly in the following months, with a 48 per cent year-on-year decline in the May-July quarter. According to the ILO (2020i), the level of earnings fell back to the 2014 levels, i.e. six years ago. In Mexico,
the proportion of employed people with incomes up to the minimum wage increased from 22.0 per cent to 26 per cent between March and April 2020.

Recent ILO estimates (2020b) suggest a global loss of 10.7 per cent in labour income during the first three quarters of 2020, equivalent to 5.5 per cent of the first three quarters of global GDP in 2019. However, consistent with the above, the loss in total labour income is significantly higher in Latin America and the Caribbean, in the order of 19.3 per cent.

In Argentina, for the first time, the variation in the average income of formal employees in the private sector between March and May was negative, with the fall being even greater in real terms due to inflation. This partly reflects the wage reduction for private sector employees who were suspended, but also the wage reductions for some of those who continued to work.

Finally, according to Chile’s Wage Index, average labour income decreased by 1.3 per cent during April compared to the previous year. This drop was even higher in the transport and storage sector (-4.9 per cent) and in professional activities (-3 per cent). In turn, in the May-July quarter of 2020, 34 per cent of those employed stated that they had experienced pay cuts, while 58 per cent did not experience any change in pay and 2 per cent obtained a pay increase. It is interesting to observe this behaviour separately between the absent workers (19 per cent of the total employed) and the present workers. Among the former, as expected, the loss of income amounts to 58 per cent, of which 31 per cent had no income at all. Among those present (81.1 per cent of the total number of employed persons), these percentages were 28 per cent and 2 per cent, respectively. Self-employed workers and employers are the most affected groups, with 68 per cent and 67 per cent respectively suffering a loss of income. They are followed by informal workers (34 per cent) domestic workers (24 per cent) and formal workers (23 per cent). Finally, and as further evidence of the unequal impacts of these reductions, self-employed and domestic workers reported the highest percentage of zero labour income.

Therefore, given the context of very weak employment demand, it is very likely that adjustments in the region will also be channelled through real, but also nominal, wage reductions, especially in the informal part of the labour market. In turn, since labour income represents, on average, between 70 per cent and 90 per cent of total family income, these cuts represent meaningful losses in the monetary resources of households thus significantly impacting poverty levels.

4. Country policy responses to retain employment and provide economic security

As detailed in the previous Technical Note “Labour Overview in times of COVID-19. Impacts on the Labour Market and Income in Latin America and the Caribbean” (ILO, 2020a), as well as the ECLAC-ILO Joint Report (2020b), numerous direct actions have been implemented in the region to support enterprises, retain jobs and offset for the loss of income of households, especially those that are most vulnerable and generally located in the informal economy. As previously mentioned, many aspects make this crisis
unprecedented. Its magnitude, scope, speed and characteristics demand coordinated health, labour, economic and social protection responses. To this end, countries have resorted to mechanisms created in previous crises, but have also implemented new responses taking into account the specificities of the current situation and the need to cover a wider range of people than in previous experiences.

The main policies and measures concerning three areas, which are not necessarily exclusive but complementary, could be stylistically classified into three groups: i. measures and cash benefits in the framework of employment support strategies; ii. unemployment benefits; and iii. other programmes to provide economic security through cash benefits to the individuals and families most affected by this crisis who are not engaged in formal wage-earning relationships and/or are not covered by contributory social security programmes (Table 2). The severity of the crisis has led countries to generally implement a combination of these instruments. For example, subsidies for the payment of benefits for the suspension of activities and/or reduction of working hours have been included into the unemployment insurance framework.

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<tr>
<td><strong>Instruments</strong></td>
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<td><strong>Instruments</strong></td>
</tr>
<tr>
<td>▶ Payroll subsidies</td>
<td>▶ Unemployment/termination (contributory) insurance</td>
<td>▶ Conditional services</td>
</tr>
<tr>
<td>▶ Unemployment insurance benefits</td>
<td></td>
<td>▶ Unconditional (emergency) benefits</td>
</tr>
<tr>
<td>▶ Other support to enterprises conditional on job retention</td>
<td></td>
<td>▶ Other monetary and non-monetary benefits</td>
</tr>
<tr>
<td><strong>Target group</strong></td>
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<tr>
<td>▶ Employed (present full-time and part-time, absent)</td>
<td>▶ Unemployed</td>
<td>▶ Unemployed, employed and inactive persons in the informal economy</td>
</tr>
<tr>
<td>▶ People with no or low income regardless of their employment status</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Examples</strong></td>
<td><strong>Examples</strong></td>
<td><strong>Examples</strong></td>
</tr>
<tr>
<td>▶ Argentina: ATP</td>
<td>▶ Uruguay, Chile, Brazil, Argentina, Colombia: contributory unemployment benefits paid by social security institutions and unemployment savings.</td>
<td>▶ Chile: COVID-19 Bonus, IFE</td>
</tr>
<tr>
<td>▶ Uruguay: unemployment insurance</td>
<td></td>
<td>▶ Argentina: IFE</td>
</tr>
<tr>
<td>▶ Chile: unemployment insurance</td>
<td></td>
<td>▶ Brazil: Emergency Aid</td>
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<td>▶ Paraguay: subsidy through IPS</td>
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<td>▶ Colombia Solidarity Income</td>
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<td>▶ Colombia: payroll subsidy</td>
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<td>▶ Costa Rica: PROTEGER Bonus</td>
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<td>▶ Costa Rica: Bono Proteger</td>
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<td>▶ Dominican Republic: PHASE</td>
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<td>▶ Transitionality</td>
<td>▶ Relatively low coverage (either because of its contributory nature or insufficient funding)</td>
<td>▶ Speed of response</td>
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<td>▶ Sustainability</td>
<td>▶ Relatively low performance</td>
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<td>▶ Coverage, registration systems, duplication of benefits/beneficiaries</td>
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The policies and instruments described below do not include the entire array of public interventions. Other measures include active fiscal responses, flexible monetary policies, direct actions targeting specific economic sectors, credit and financial support to enterprises, protections for workers at the workplace and the use and revitalization of instruments that allowed consensus to be reached through social dialogue. These other policies and actions have also been surveyed and systematized by the ILO for 188 countries and territories. Some of the support measures for enterprises, especially SMEs, are shown in Box 1.

Countries have resorted to a number of interventions to support businesses. These have translated into temporary tax suspensions, deferrals or reductions; flexible funding lines; and increases or reallocations of public spending to finance special measures to address the crisis, among other measures. The following are some examples of this type of intervention. This is not a comprehensive analysis.

In Chile, the government order: suspending provisional monthly income tax payments by companies for three months; postponed VAT payments for three months for companies up to a certain threshold based on sales and income tax payments until July for SMEs; brought forward income tax refunds for SMEs; refund withholdings to self-employed workers; and accelerated payments to State suppliers. The government approved a US$500 million capitalization for the Banco del Estado de Chile to provide funding to SMEs and individuals. At the same time, private banks structures funding lines for companies with state guarantees. In addition, specific funds were established for the tourism and health sectors.

Costa Rica announced the "Post COVID-19 Economic Route Plan" which stipulates measures for economic reactivation and job creation such as the granting of loans to companies with preferential rates by state banks, for an amount equivalent to US$1.6 billion (2.4 per cent of GDP). The Ecuadorian Social Security Institute (IESS) postponed the payment of contributions by voluntary members not having an employment relationship, and the government ordered the payment of income tax by certain sectors to be deferred for six months.

El Salvador exempted taxpayers from paying the special contribution for tourism promotion and extended the deadline for income tax the payments, in general for those who had 2019 tax to pay, but especially for tourism, electricity and telephone and communications services. In turn, the Central American Import Tariff System was modified to establish a tariff of 0 per cent for certain food products, medicines for respiratory diseases and other essential goods.

Uruguay created the Coronavirus Fund to finance extraordinary expenses generated by the pandemic. The Fund was financed by international credits and by resources released from the transitory reduction of public officials' salaries and pensions, in both cases, provided that they exceed a certain maximum threshold, and for political appointees (reduction of 20 per cent). Argentina, for its part, established a plan to facilitate tax, customs, and social security obligation payments, and set up a Specific Allocation Fund to provide guarantees to facilitate access to working capital loans for SMEs.

Like other countries, Paraguay also established an extension for the filing of tax returns and total or partial tax payments. At the same time, the government ordered the reallocation of certain public budget items (including reductions of 10 to 20 per cent of top public officials' salaries) to finance part of the expenditure caused by the special measures implemented to tackle the crisis. The Colombian government also implemented funding lines through the National Guarantee Fund, to back private loans to companies, mainly MSMEs. In these cases, the guarantee backed by the Fund covers 80-90 per cent of the loan, and most of the application fees are subsidized. In turn, national tax returns and payments were deferred.

4.1 Benefits to Retain Formal Employment

Measures and incentives to retain employment relationships are crucially important because, on the one hand, keeping workers saves enterprises from losing workers with specific and general job skills. It also saves recruitment costs and job search costs that companies and workers would have incur in the future. On the other hand, keeping this employment relationship could contribute to a faster economic recovery.

In this area, several innovations and programmes have been implemented in the region in order to either pay the enterprise or the worker such benefits. These solutions have usually been funded by general income taxes, social security contributions or a combination of both and have been delivered either through social security institutions, the tax authority or another body.

In particular, two types of intervention can be distinguished: on the one hand, payroll subsidies and, on the other, the extension of unemployment insurance to cover other events beyond unemployment due to termination. In fact, this second type has been extended to cover both total suspension and reduction of working hours or partial suspension of activities. Some insurances already had these provisions, while other countries included this modality, thus allowing to adapt the schemes to the different realities that
the various economic sectors and their companies have been facing as a result of confinement measures, halting of activities, and the fall in demand.

Within the first group, Paraguay established a subsidy for formal employees who earn up to two minimum wages and whose employment contracts are suspended due to the cessation of activities caused by the pandemic. The amount of the subsidy is 50 per cent of the minimum wage and is funded by the national government through an increase in the resources allocated to the Social Security Institute (ILO, 2020j). Colombia allowed companies and individuals who certify a decrease of 20 per cent or more in their income to apply in May, June, July and August for a subsidy equal to 40 per cent of the minimum wage for all workers for whom they contribute to the Integrated Platform for Payment of Contributions (PILA), without exceeding the number of employees on the payroll in February 2020 (ILO, 2020g).

In Peru, workers who were in perfect suspension of employment continued to receive the Social Health Insurance benefit - EsSalud. In addition, private sector employers receive a subsidy of up to 35 per cent of the gross monthly earnings of their employees whose salaries do not exceed 1,500 soles (US$424). The Dominican Republic launched the Employee Solidarity Assistance Fund (FASE), a cash transfer to support employment in the sectors most affected by the pandemic, where the government contributes 70 per cent of the salary from a minimum of RD$5,000 pesos to a maximum of RD$8,500 pesos per month per worker (ILO, 2020k).

In Argentina, the National Government established the "Emergency Assistance Programme for Work and Production" (ATP) which provides a 95 per cent reduction in employer contributions to the Argentine Integrated Social Security System (SIPA) and a compensatory wage allocation in private companies. The government also prohibited dismissal without just cause and on the grounds of lack or reduction of work and force majeure, and suspensions on these grounds. This prohibition was originally supposed to expire at the end of May, but then the effectiveness was extended for six more months (ILO, 2020l). In September, the government approved the payment of the sixth bonus, but the programme included some different conditions from those previously stipulated. Specifically, the companies that can apply for this benefit are those with less than 800 workers, which show a nominal recovery of their turnover of up to 40 per cent, but a real negative variation compared to the pre-pandemic situation. The ATP 6 offers companies in critical sectors the possibility of tapping into the supplementary salary and taking out a loan that can be turned into a subsidy if companies hire workers.

The “Emergency Benefit for the Preservation of Employment and Income” in Brazil is also a programme to keep the income of formal employees whose employment contracts have been placed on temporary suspension or whose working hours and income have been cut. The amount of the benefit is calculated on the basis of the employee’s salary for the last three months and is a percentage of the Severance Insurance to which the worker would be entitled in the event of termination (dismissal).

Under the second modality, Uruguay has a so-called unemployment insurance of a contributory nature, and in order to respond to the pandemic situation, access conditions were made more flexible or the duration of the benefits was extended. The existing regime was thus supplemented by a special scheme covering all sectors that count with Wage Councils, including both those hired under monthly contracts and day labourers and those who have used up the subsidy under the general regime. The benefit was also extended to those workers whose contracts were partially suspended, whose hours worked were cut down (at least 50 per cent of the working day) and to workers who carry out activities where work has fully been suspended (subject to meeting certain requirements), while maintaining the employment relationship. Within this framework, the unemployment insurance received as many as almost 82,000 applications in March 2020, compared with a maximum value of 16,000 applications per month in previous years. This figure decreased in the following months. During the March-June period about 77 per cent of the applications were filed alleging suspension of contract and less than 10 per cent termination.

In Trinidad and Tobago, the Salary Relief Grant provides $1,500 Trinidadian dollars (US$220) for up to three months to dependent workers who have lost their jobs or salary as a result of the pandemic.
Finally, in Chile, the Employment Protection Act has injected additional resources into the Severance Solidarity Fund and has changed temporarily the eligibility criteria for insurance. In particular, it provides for special circumstances such as the temporary closure of companies, staff suspensions or temporary cut in working hours in order to access this benefit. Thus, the worker maintains the employment relationship while receiving income from unemployment insurance while the employer must continue to pay the worker's provisional and health contributions. In order to calculate the benefit, the average remuneration of the last three months is considered (while the calculation of the unemployment insurance takes into account the last 12 months). The replacement rates in the case of contract suspension are the same as in the case of unemployment. As regards work hours cut, the employer pays for the portion worked and the insurance covers half of the non-worked portion (Montt et al., 2020).

4.2 Unemployment Benefits

In the proposed typology, "pure" unemployment benefits are those provided by unemployment insurance. Some of the modifications made to contributory insurance in the context of this crisis and aiming at extending its horizontal and/or vertical coverage, are flexibilization of certain access requirements, extension of the duration of benefits, increase replacement rates, increase amounts of benefits and use of individual accounts for reasons other than those originally considered.

In Argentina, unemployment insurance provides monthly pay benefit, family allowances, and medical coverage to workers registered with the social security services and who have been legally dismissed without just cause and while they are unemployed. In the context of this crisis, the minimum and maximum amounts were raised to $6000 and $10,000 respectively in April. In response to the extension of the quarantine, the Ministry of Employment, Labour and Social Security extended the benefits until 31 December 2020 (following the initial provisions in March and May), for all cases expiring between 30 August and 30 November 2020. The number of beneficiaries remained relatively constant at around 120,000 people.

In Chile, the national government announced in July a proposal to introduce temporary changes to the unemployment insurance. On the one hand, access requirements are relaxed by reducing from six to three contributions made in the last 12 months. At the same time, workers with available balances in their individual accounts can access their funds regardless of the number of months they have contributed. At the same time, replacement rates are raised from the second month onwards. On the other hand, the "Benefit for self-employed workers" was created, which includes a subsidy and an interest-free loan to self-employed workers who have issued invoices for at least three months in the last year or for six months in the last two years and who, in addition, in the month they apply for the benefit have experienced a drop of at least 30 per cent in their income compared to the April 2019 - April 2020 period. The subsidy, which is not considered income and is therefore not subject to tax or considered for pension purposes, covers a maximum of 70 per cent of the income cut, this percentage decreases as the amount of income does (Montt et al., 2020). In September of this year, Law 21,269 added private household workers to the unemployment insurance scheme.

In Ecuador, before the Humanitarian Support Law came into force on 22 June 2020, workers who had a dependent relationship and had been laid off had to be unemployed for 60 days to apply for unemployment insurance. Now they can apply from the tenth day of unemployment and payments are made automatically (Casalí et al., 2020).

In Costa Rica, the Law on Withdrawal of the Labour Capitalization Fund (FCL) was approved in April. This law allows for the withdrawal of the Labour Capitalization Fund if an employment contract is suspended or if work day is reduced resulting in a wage cut (ILO, 2020c). In Colombia, while the economic emergency lasts, employees who continue to work but who have suffered income cuts may withdraw an amount each month from their severance pay account to compensate for such cut (ILO, 2020g). In Peru, workers were given free access to up to S/2,400 of the severance pay funds (CTS) and additional retirement measures for workers with perfect suspension of work.
4.3 Income Transfer Programmes

Finally, another important group of strategies and policies aims at compensating, at least partially, the loss of monetary resources for families in vulnerable situations, many of them in informality and beyond the condition regarding occupation and type of labour insertion, for which non-contributory income transfer programmes were expanded and/or created. Some of these schemes are described below. This is not intended to be a comprehensive review of all the experiences in the region.

In Argentina, the Universal Child Allowance (UCA) and the Universal Pregnancy Allowance (UPA) doubled in March, with an additional expenditure of $13.4 billion. In addition, a bonus of up to $3,000 (US$45) was granted to approximately 4.6 million retirees who received a single pension benefit, up to a total of $18,892, which implied expenditures of approximately $13.8 billion. However, the largest income transfer measure is the "Emergency Family Income (IFE)", which was created towards the end of that month, and delivered through the National Social Security Administration (ANSES). It targets informal economy workers, domestic workers in private homes and single-taxpayers in the first two categories. The beneficiaries of the UCA and the UPA were the first to be included in this new benefit. The amount of the IFE is ARS 10,000 (59.3 per cent of the minimum wage). The first payment was made in April and May 2020. The second payment was made in June and July and a third in August and September. The number of beneficiaries has been around 9 million, compared to the 4.3 million children and adolescents under the UCA.

Colombia already had two conditional transfer programmes in place: Families in Action and Youth in Action. During the first months of the pandemic emergency, the national government authorized the payment of two extraordinary transfers, one in March and the other in May to support both programmes. At the same time, the Solidarity Income Programme was created. This programme aims at families who are not beneficiaries of those two programmes, or Colombia Mayor, and VAT refunds and who are in a situation of vulnerability.

Ecuador, through its Ministry of Economic and Social Inclusion, established the Family Protection Bond for Emergencies for a few months to benefit those who do not have access to social security and whose income is below the unified minimum wage, and for those affiliated to the peasant insurance. In Bolivia, the Family Voucher was created, transferring 500 Bolivian pesos (US$ 70) per month to low-income families with children attending initial, primary and secondary school.

In Uruguay, more contributions were made to the Uruguay Social Programme and the Plan de Equidad; these programmes focus on protecting poor households. Costa Rica implemented the PROTEGER Bond, which consists of delivering a certain amount of money for a specific period of time, depending on the condition of labour vulnerability the person is as a result of the COVID-19 national emergency.

In Paraguay, the Social Fund was established to provide a subsidy equal to 25 per cent of the minimum wage to informal independent workers or employees of micro, small and medium-sized enterprises. The so-called "Pytyvõ" programme reached approximately 1,100,000 beneficiaries by mid-June 2020. A new phase of this programme started in September 2020 with four additional monthly payments, reaching 770,000 potential beneficiaries. In turn, the coverage of the "Tekoporá" programme and the Elderly Programme (ILO, 2020)) was extended.

In Peru, different mechanisms were also implemented to reach the most vulnerable populations. From the "Yo Me Quedo en Casa" bonus, a cash subsidy for households in a situation of poverty, and the "Independiente" bonus for households with low-income independent workers affected by the pandemic, to the "Bono Rural" designed for rural families in a situation of poverty or extreme poverty. The "Bono Familiar Universal" offers a bonus for vulnerable households not covered by the previous bonuses and the "Contigo" programme provides for severely disabled people in a situation of poverty, in which the payment of a bimester was advanced in March-April.

In Chile, the COVID-19 Emergency Bond and the Emergency Family Income were created. The former provided a one-time subsidy to households receiving the single-family subsidy, households receiving
other transfers from the Seguridades y Oportunidades system, and households belonging to the 60 per cent most vulnerable households according to the Social Registry of Homes. Households where any member is receiving a retirement pension or is a formal worker are excluded. Emergency Family Income is a monthly transfer to households belonging to the 80 per cent most vulnerable (Montt et al., 2020).

Brazil has implemented the “Auxílio Emergente”, a cash transfer for informal workers, individual micro-entrepreneurs, the self-employed and the unemployed, belonging to families whose monthly income per person does not exceed half the minimum wage (R$22.50), or whose total family income is up to three minimum wages (R$3135). Households benefiting from the Bolsa Familia programme receive the benefit automatically. The programme consists of five payments of R $600 and is doubled for single mothers. In September the continuation of the programme was announced until December, but for an amount of R $300.

Finally, the vast majority of Caribbean countries implemented policies for cash transfers and food distribution or “vouchers” to purchase food (see Box 2).

**Box 2. Impacts of the pandemic on the Caribbean countries**

As in the rest of the world, the impact of the COVID-19 crisis on aggregate output in the English and Dutch-speaking Caribbean is expected to be considerable, ranging from a low of 5.3 per cent (Jamaica, according to ECLAC estimates in July 2020) to 25.5 per cent (Anguilla, according to the Eastern Caribbean Central Bank), with an average drop of 5.4 per cent for the entire CARICOM region. Dependence on tourism and the prolonged fall in tourist arrivals certainly played a major role in this pattern, as did the fall in oil prices.

On average, the tourism industry in the Caribbean contributes directly up to about 33 per cent of Gross Domestic Product, with total contributions reaching about 40 per cent in countries such as Belize, Antigua and Barbuda and The Bahamas, and about 70 per cent in the British Virgin Islands and Aruba. Tourism also accounts for over 52 per cent of export earnings (with the exception of the commodity producing countries of the Southern Caribbean, namely Suriname, Guyana, and Trinidad and Tobago, where tourism contributes, on average, only 5 per cent of GDP). The tourism industry, on the other hand, provides direct employment to 413,000 workers in the Caribbean, 18 per cent of total employment. If indirect and induced employment are considered, these figures could increase to 43 per cent (with a sharp upward distribution in tourism-dependent Eastern Caribbean countries), reaching 90 per cent in Antigua and Barbuda.

Comparing the first quarter of 2020 with the same period in 2019, international tourist arrivals fell by 39 per cent in the Caribbean. At the same time, the Caribbean Tourism Organization (CTO) has made a preliminary projection of a 50 per cent decline in tourist arrivals in 2020.

The expected impacts of this decline on the labour markets in these countries are therefore very significant. Available workforce surveys show that about 70 per cent of hotels laid off staff in April, while 66 per cent shortened the working week or hours worked, and 53 per cent had cut wages. Additional evidence gathered from secondary sources suggests that during the greatest impact of the crisis, layoffs reached approximately 75 per cent of tourism workers in Jamaica, while 30 per cent of the total beneficiaries of the relief programme in Belize were in the tourism sector. The delayed reopening of the cruise ship industry may further worsen this situation.

An overview of COVID-19 relief measures shows that Caribbean countries have established systems capable of providing (at least partial) relief to redundant tourism workers through support measures aimed at the general population. These include, almost universally, food and utility aid and income support.

In terms of specific measures benefiting the tourism sector, governments in the region have opted to channel resources to businesses and employers rather than to workers. Specifically, 15 out of 21 countries have implemented business support measures aimed at tourism (some of which include financial support in exchange for job retention), compared to only eight that have implemented measures at an individual level. It is likely that the less administrative complexity involved in selecting enterprises and employers played a role in this choice.

For example, Jamaica introduced the “COVID Allocation of Resources for Employees (CARE)” which includes, among other measures, temporary cash transfers to enterprises in this sector based on the number of workers remaining employed; temporary cash transfers for persons who have lost their jobs with incomes below a certain threshold;
4.4 Progress and Remaining Challenges

The current situation has clearly shown the constraints faced by labour and social policies in countries with a high presence of informality and relatively weak labour institutions. This is compounded by challenges in fiscal and institutional matters, including aspects such as government and public-private coordination and technological and logistical capacities to provide the goods, services and economic benefits required by the affected populations, especially the most vulnerable, including restrictions imposed by geographical location, for example, being far from urban centres where there is greater installed capacity for health services. Some national and subnational governments even moved quickly to direct food delivery in order to provide food security, given the impossibility of expanding or implementing cash transfer programmes quickly. Such is the case in Chile, which began delivering 2.5 million boxes of food at the end of May. Subsequently, this programme was expanded, reaching 5.6 million in August. Private initiatives by employers’ organizations and private companies and community work by many trade unions and other workers’ organizations also joined in.

The crisis clearly shows the need to move towards greater income coverage in the face of job loss, especially in the informal economy. Until the beginning of the pandemic, the region had a rich experience in social protection programmes of conditional and unconditional cash transfers, although in most cases with strict targeting criteria, thus reaching mainly the first deciles of income in the distribution of income of the population.

Given the extent of the crisis, it also strongly affected the middle sectors of the population, whose income also suffered significantly as a result of the pandemic. Thus, in terms of managing transfer policies, they have faced the challenge of expanding and improving the registration of these individuals and households that have also become vulnerable. The rapid and timely intervention has not only limited the immediate loss of income and the lack of access to basic goods and services, but also limited the spread of these negative shocks in the medium term.

In addition, another challenge concerns what are the best intervention strategies to support economic recovery and the insertion of people who have lost labour income or suffered significant cuts of labour income. The countries of the region have varying schemes of active labour market policies with different designs, requirements and target populations, which are implemented by various State bodies.

19 http://www.desarrollosocialyfamilia.gob.cl/noticias/gobierno-anuncia-nueva-entrega-de-alimentos-para-chile-que-beneficiara-a-3-millones-de-familias; https://siempreporchile.cl/iniciativas/cajas-de-alimentos
These schemes could, a priori, meet the dual objective of providing income to people who face greater difficulties in finding a job, while helping them to achieve better quality employment. However, their scope is still very insufficient, and the effects in terms of the possibilities of obtaining formal jobs after going through the transfer programme are usually low. The challenge at this juncture is even greater given the strong uncertainty regarding the characteristics and intensity of post-pandemic growth patterns.

The crisis provides an opportunity to restructure labour and social protection institutions in order to advance in strategies that allow for more permanent labour guarantees and social protection floors, as well as to structure a comprehensive employment policy that accompanies or is part of the economic recovery strategy. The adaptation of some labour institutions such as unemployment insurance can be considered an important institutional step forward. In this sense, designing unemployment protection schemes, which includes suspension and reduction of working hours as a reason for receiving benefits, is making it possible to improve coverage while retaining the employment relationship. These mechanisms will certainly be very appropriate for any systemic or sectoral crises that the economies of the region may face in the future.

Occupational safety and health are a key aspect that should play a greater role in the employment-based recovery strategy, particularly in relation to biological risks caused by the COVID-19. Countries have been gradually adopting more and more provisions for policies, institutions, enterprises and workers to take the necessary preventive measures. However, the mostly likely scenario is one where pandemics and possible recovery will overlap, so there is no doubt that strengthening of occupational safety and health is what will allow workers a safe and healthy return to work. Other aspects, such as psychosocial risks, have also become relevant, for example, in segments where teleworking has increased. Thus, the quality of work, the sustainability of enterprises and their productivity have begun to be more closely linked to these factors and areas of labour policy.

References


Appendix › Information from household surveys and administrative records in times of pandemic

The restrictions on social mobility adopted as a health response to the pandemic in many countries in the region have imposed significant challenges on collecting data from household and business surveys. Although most countries in the region have continued with these surveys and are publishing official figures, there are certain aspects that should be taken into consideration when analyzing the data drawn from them.

Because data collection has migrated from a face-to-face to an essentially telephone-based format, the results may not be strictly comparable with historical data. In order to determine whether or not there are comparability problems, it would have been necessary to carry out simultaneous tests under both formats. This was not possible for obvious reasons – the pandemic as a result of which public-health measures have been imposed. National statistical offices (NSOs) have warned users that there could be difficulties in comparing current data with previous data. However, looking at the facts, the vast majority of countries that have been providing data continue to report the usual variations from the previous period and from the previous 12 months. Moving to the telephone format using a sample of households from a previous period adds another challenge related to the potential bias that may occur (i.e. selection, coverage and/or non-response). The vast majority of NSOs in the region have carried out studies and made adjustments to minimize this potential bias.

On the other hand, as regards the labour indicators published officially on the basis of these surveys, it is important to point out the criteria used to classify people in the corresponding labour categories. In order to be classified as unemployed, it is necessary to be available in the reference period (week) and at the same time to have searched for a job actively – by any means – during that period. Therefore, in exceptional circumstances such as those that the region is currently facing due to the pandemic, a very significant percentage of persons who were previously in the workforce (either employed or unemployed) can be expected to be unable to conduct an active job search due to confinement and distancing measures. Therefore, they are not part of the economically active population and become part of the population outside the workforce (if they meet one of the criteria above – job search or availability...
– they will be part of the “potential workforce”). Thus, in general, there are very significant drops in the economic participation rate and it is to be expected that as confinement measures are lifted, some of these people will enter the workforce again.

For all these reasons, it is recommended that the analysis of the impacts of the pandemic go beyond the traditional underutilization indicator, the unemployment rate. This rate can be supplemented by studying the full spectrum of classification categories that have been affected by the pandemic – for example, absent workers – and all the labour underutilization indicators provided by the international recommendations at the 19th International Conference of Labour Statisticians (ICLS, 2013). Indicators considering the unemployed with the potential workforce (jointly) -SU3- or the labour underutilization by time is particularly relevant in these circumstances.

Some countries have used or adopted new measures and instruments to support the income of workers whose activities are suspended, thus seeking to retain employment relationships. In these cases, people are classified as employed persons absent from work. Depending on the duration and extent of these measures, as well as the economic situation facing the economic units in which they work, they may continue to be classified as employed, or change and be classified as unemployed or out of the workforce in the event that the employment relationship is terminated.

In addition to workforce or household surveys, administrative records are also a source of relevant supplementary information, especially in those countries where measures and instruments (such as unemployment/ severance insurance or payroll subsidies) have been enabled or implemented to retain or protect employment and jobs in order to respond to the pandemic. Obtaining data from administrative records can sometimes be faster than from workforce surveys – especially if fixed-quarter information is provided in the case of surveys.

Administrative data also have some limitations in terms of their scope and depth. They provide information on formal employment and even then, in some countries, that information is limited to part of the formal world, for example, the main private sectors, central government, enterprises with a number of workers above a certain threshold, etc. Also, there is often a lag in showing the short-term dynamics of employment as companies have a deadline to report the payroll of workers for whom they are making contributions. This can mean a delay of two to three months in some countries, and up to six months in others, before final records are available. However, when phenomena with consequences as severe the current pandemic occur, the trend is clearly observable. Finally, administrative records may also have some limitations as they have been designed for other purposes such as monitoring, and databases and their samples are not subject to adequate processing to generate statistical information. In this case, there may be instances of double counting, inclusion of social security benefit recipients as if they were contributors, among other challenges to using such data for statistical purposes.