



Technical note

► Labour Overview Series Latin America and the Caribbean 2022

Weak growth and the global crisis are holding back the recovery of the employment in Latin America and the Caribbean

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Summary

In a context of partial recovery of labour indicators, the Russian aggression against Ukraine has made the outlook for labour markets in the region more complex. Slowdown in economic growth makes full employment recovery more difficult and increases the risk of informalisation, while accelerating inflation negatively impacts real labour and household incomes. This adds to the enduring distributional effects of the pandemic in a region characterised by very high levels of inequality. Loss of purchasing power can increase in-work poverty, even among those in formal employment. Addressing and reversing this scenario requires an integrated and far-reaching set of different types of policies. In particular, policies to sustain formal employment are needed in order to prevent transitions into informality. Strategies to support the creation of new formal jobs and the strengthening of labour institutions are also required. Tripartite dialogue plays a key role in enabling this path to be followed, taking into account the needs and possibilities of workers and employers.

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Contents

Executive Summary	4
1. Global and Latin American and Caribbean Macroeconomic Dynamics in 2021: Economic Growth and Inflation Rates Accelerate	8
1.1 The global economy	8
1.2 Latin America and the Caribbean: the region returned to growth without regaining pre-pandemic GDP per capita levels	9
1.3 Russia's invasion of Ukraine and its impact on the world economy: slowing economic growth and accelerating inflation	14
1.4 The impact of war on Latin America and Caribbean economies: new constraints on the path to economic recovery	16
2. Labour Market Dynamics in Latin America and the Caribbean: the Impacts of Multiple Crises	17
2.1 Participation, employment and unemployment rates	17
2.2 Changes in hours worked	25
3. Formal and Informal Employment: Recovery driven by Informal Occupations, but with Formal Jobs Increasingly Contributing to Employment Growth	28
4. Labour Market Developments by Gender: Stronger Recovery among Women and Narrowing of Gaps	32
4.1 Regional overview and heterogeneity among countries	32
4.2 Labour dynamics of women and men by age	36
4.3 Labour dynamics of women and men by education	39
4.4 Labour dynamics of women and men by branch of activity	41
4.5 Existence of significant gaps	42

5. Youth Employment Recovery and the Existence of Structural Deficits 43**6. Teleworking: More than Two Years into the Pandemic, Incidence Remains Higher than in 2019** 45**7. The Evolution of Incomes and the Distributive Impacts** 47

7.1 The loss of purchasing power of average wages and minimum wages in the face of accelerating inflation 47

7.2 Changes of total labour income 49

7.3 The unequalising impacts of the labour market and the equalising role of cash transfer policies 50

8. Final Remarks 52**References** 53

Executive Summary

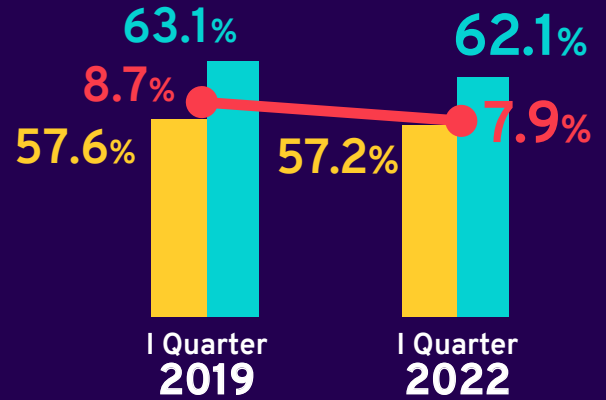
- ▶ Thanks to a combination of health strategies and economic measures implemented to support businesses, workers and families, the global economy overcame the economic impacts of the COVID-19 pandemic throughout 2021.
- ▶ Latin America and the Caribbean was one of the fastest growing regions in 2021 (6.9 per cent) after being the hardest hit by the impact of the pandemic in 2020 (-7.0 per cent).
- ▶ Despite this, Latin America's GDP per capita accumulated an average fall of 2.6 per cent in the 2020-21 biennium. 12 of the 20 Latin American economies ended 2021 with a lower GDP per capita than that in 2019. In the Caribbean, excluding Guyana, GDP per capita accumulated a decline of 9.8 per cent.
- ▶ By the end of 2021, a significant slowdown in economic growth rate was projected for the region, as for the rest of the world. The gradual withdrawal of fiscal and monetary stimuli in a context of rising inflation and a more complex international financial scenario, already led to a decline in the growth rate and a return to the low levels recorded in the five-year period prior to the COVID-19 (2014-2019).
- ▶ This scenario was compounded in February 2022 by Russia's aggression against Ukraine, thus exacerbating global economic problems. In the region, this has had direct negative impacts derived from the increase in international energy and food prices, and indirect impacts related to the general deterioration of the world economy.
- ▶ The severity of the situation has led to revise growth forecasts downward, while inflation has accelerated. According to the International Monetary Fund's July 2022 estimates, growth in Latin America and the Caribbean will be 3 per cent in 2022, a significant reduction from growth in 2021. Likewise, according to the most recent ECLAC forecasts for August of 2022, regional growth will be 2.7 per cent.
- ▶ Macroeconomic dynamics have been impacting employment and income generation. In the first quarter of 2022, the region showed a slight quarter-on-quarter reduction in the employment rate (-0.6 percentage points) and in the economic participation rate (-0.5 percentage points), while the fall in the unemployment rate came to a halt.
- ▶ The regional employment rate in the first quarter of 2022 was 57.2 per cent, the economic participation rate was 62.1 per cent and the unemployment rate was 7.9 per cent.
- ▶ A comparison of the labour indicators for the first quarter of 2022 with those of the first quarter of 2019 shows that the regional employment rate has not yet fully recovered to the values recorded three years ago, although the difference is small. Nor has it returned to the average economic participation rate of that time. Since the lag in the recovery of participation is greater than that of employment, the regional unemployment rate fell (from 8.7 to 7.9 per cent) between the two points in time.
- ▶ It is also important to note that behind the regional average at the national level, indicators reflect significant lags. In 10 out of 14 countries, the employment rate in the first quarter of 2022 had not yet recovered to the values it had in the same period of 2019. In half of them, the gap was around 5 per cent or higher. At the same time, most of them show some signs of slowdown in both labour force participation and employment.
- ▶ In addition to an average duration of unemployment rate of 8 per cent, the average duration of unemployment episodes has increased sharply as a result of the crisis. Moreover, this increase was confirmed even during 2021, when the unemployment rate experienced a downward trend.

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Employment rate

LATIN AMERICA AND THE CARIBBEAN

In 10 out of 14 countries, the employment rate in the first quarter of 2022 had not yet recovered to the values it had in the same period of 2019.



Employment Rate
Participation Rate
Unemployment Rate

- ▶ After the sharp informal employment contraction during the most critical phase of the pandemic, the overall recovery in jobs has been driven by the growth of informal occupations. However, as formal employment recovered, the contribution of informal jobs declined.
- ▶ In countries that have recovered to pre-pandemic employment rate, or are very close to it, the informality rate is no higher than that in 2019, despite the increasing path observed after the abrupt contraction of this indicator in the second quarter of 2020.
- ▶ However, countries that still exhibit significant differences with respect to the recorded volume of occupations in 2019 could experience a closing of this gap with higher informality rates than those observed in 2019. Moreover, in some countries in the region, formal employment showed low dynamism or even contractions during the first half of 2022.
- ▶ The regional informality rate in the fourth quarter of 2021 was almost 50 per cent, close to the 2019 record. In other words, almost one in two workers in the region is informal.
- ▶ At the regional level, the recovery of women employment has been stronger than that of men employment. However, less educated women have not only been the group hardest hit by the pandemic but also the group that has lagged furthest behind in the employment recovery phase.
- ▶ The regional employment rate for young people in the first quarter of 2022 was 41 per cent, almost 21 percentage points lower than for adults (61.7 per cent).
- ▶ Although the average youth unemployment rate was declining after peaking at 24 per cent in mid-2020, it was still very high at 17.6 per cent in the first quarter of 2022. But even some countries in the region exhibit significantly higher rates than this, reaching values of 24 / 34 per cent.
- ▶ Meanwhile, the informality rate among young people was 63 per cent in the fourth quarter of 2021, significantly higher than the 47.6 per cent recorded among adults.



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Women employment

At the regional level, the recovery of women employment has been stronger than that of men employment.

However, less educated women have not only been the group hardest hit by the pandemic but also the group that has lagged furthest behind in the employment recovery phase.

- ▶ Accelerating inflation has led to significant losses in the purchasing power of average wages and of minimum wages.
- ▶ The aggregate labour income at the end of 2021/beginning of 2022 was still, in most of these countries, below the aggregate labour income at the end of 2019.
- ▶ The dynamics of labour markets and household incomes have been accompanied by significant distribution changes in most countries in the region. In many of them, per capita household income inequality increased during the first phase of the crisis. After the peaks recorded in the second quarter of 2020, a reduction in inequality levels has been observed. However, in some of these countries this positive performance did not offset the initial worsening.
- ▶ In terms of distribution changes, the unequalising impact of the labour market in the initial phases of the crisis contrasts with the equalising role of the transfer policies implemented in the region. This picture changes, however, in the recovery phase. Employment growth, especially informal jobs, allowed a significant number of households at the bottom to increase their labour income, which resulted in a positive contribution to reduce total inequality. However, the progressive withdrawal of transfer policies resulted in this source becoming an unequal or less equalising factor than in the previous phase.
- ▶ The region's labour markets are affected by a multiplicity of structural conditioning factors and others that emerged with the pandemic and were exacerbated by the current war. The negative impacts on average household income and distribution not only imply significant setbacks in living conditions, but also require the implementation and strengthening of different types of policies more so than in the past.
- ▶ On the one hand, policies to sustain and, especially, create new formal jobs. On the other, the strengthening of labour institutions - particularly emphasising on the minimum wage and collective bargaining - and workers' rights. Finally, the loss of real income requires further progress in providing income guarantees to the vulnerable population as a whole, with a stronger link to active labour market policies. Tripartite dialogue plays a key role in enabling this path to be followed, taking into account the needs and possibilities of workers and employers.

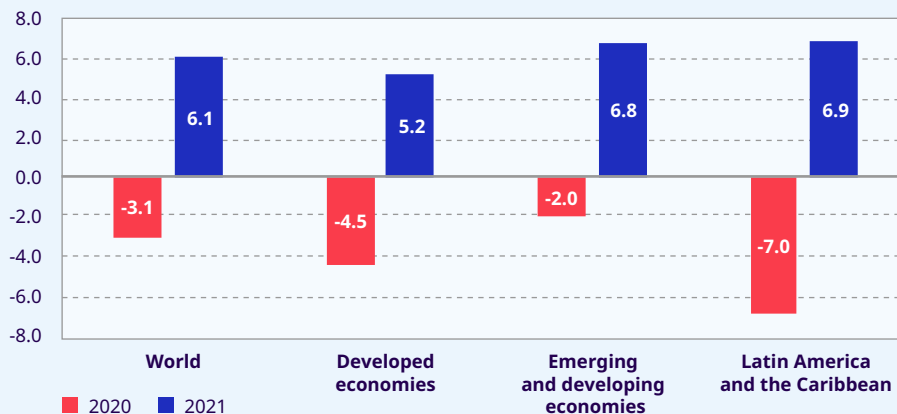
1. Global and Latin American and Caribbean Macroeconomic Dynamics in 2021: Economic Growth and Inflation Rates Accelerate¹

1.1 The global economy

In 2021, the global economy gradually overcame the economic impacts of the COVID-19 pandemic thanks to a combination of factors: application of health strategies, supported by the widespread availability of vaccines, and the implementation of economic measures aimed at supporting both businesses and households to overcome the decline in activity and income.

With very few exceptions, all economies grew and recovered much of the ground lost due to the double supply and demand shock that characterised the impact of the health emergency, the isolation measures and mobility restrictions implemented to deal with the situation, especially in the first half of 2020 (Figure 1.1). The evolution of the pandemic itself but, above all, the rapid and widespread availability of vaccines allowed the easing of restrictions and, as the spread of infections subsided, economic activity began to normalise.

► Figure 1.1. GDP Growth Rate at Constant Prices (percentage)



Source: International Monetary Fund (IMF).

According to IMF estimates (update as of July 2022) global GDP grew 6.1 per cent in 2021 after falling 3.1 per cent in 2020. Developed economies grew 5.2 per cent (-4.5 per cent in 2020) with high heterogeneity. The US economy grew 5.7 per cent and more than recovered from the 3.5 per cent decline in 2020, thanks to the fiscal and monetary stimulus package implemented. European economies were more affected by the impact of the pandemic (contracting 6.4 per cent) and only partially recovered in 2021, with GDP growth of 5.4 per cent.

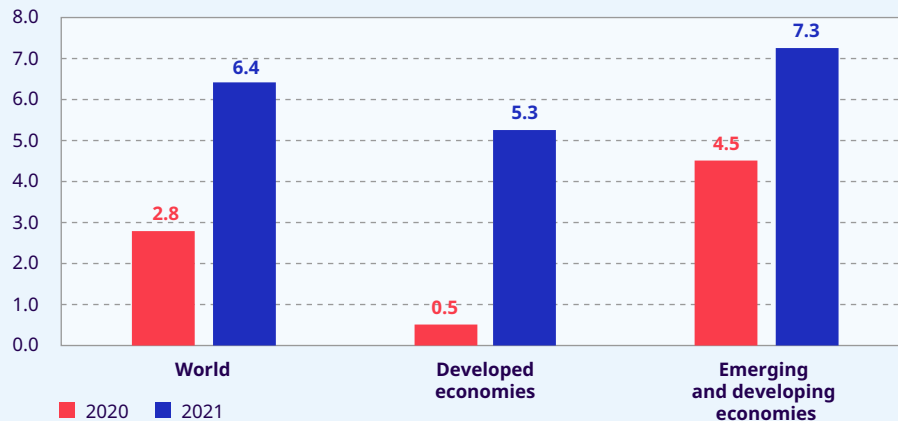
Meanwhile, emerging and developing economies grew by 6.8 per cent in 2021, after contracting by 2.0 per cent in 2020. This disparate set of countries showed marked performance heterogeneity. GDP of emerging and developing Asian economies grew 7.3 per cent, above the group average, after falling 0.8 per cent in 2020. **Latin America and the Caribbean was one of the fastest growing regions in 2021 (6.9 per cent) but was the hardest hit by the impact of the pandemic in 2020 (-7.0 per cent).**

At the same time, the virtual shut down of activities in several countries for long periods of time created important bottlenecks in the production of key inputs, as well as in distribution centres and ports and in the transportation of goods. **The bottlenecks that emerged led to shortfalls in the supply of inputs**

¹ This section is based on Kacef (2022).

and higher distribution and transport costs; all this impacted inflation rates, pushing them up to levels not seen in many years.

► Figure 1.2. Inflation Rate (percentage)

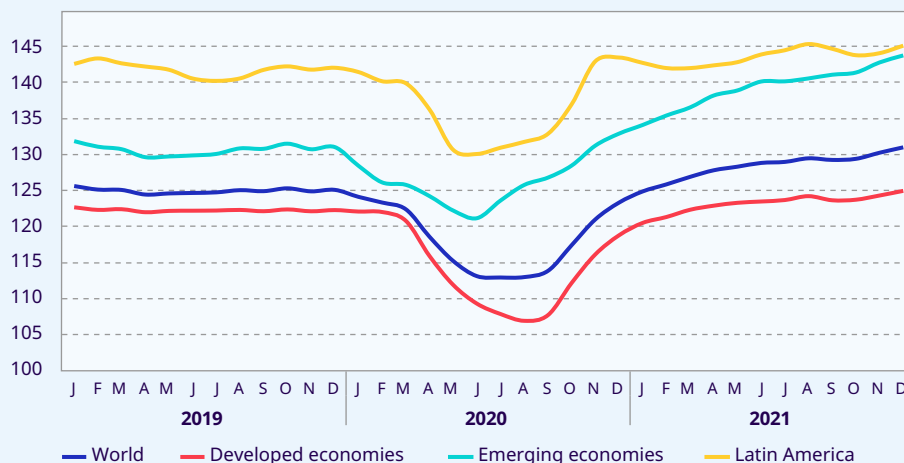


Source: International Monetary Fund (IMF).

In this context, central banks gradually raised interest rates to keep inflation expectations stable and close to their targets, which contributed to a gradual deceleration of growth in most economies in the second half of 2021. Rise in interest rates has entailed increases in debt servicing, tightening fiscal space.

In the same sense, the difficulties and rising costs affecting freight transport had a negative impact on international trade developments. Thus, after an initial rapid recovery, growth in export volumes stagnated between late 2020 and early 2021 (with the exception of China and other East Asian economies); this partly explained the slowdown in growth at the end of the year (Figure 1.3).

► Figure 1.3. Evolution of Exported Volumes (2010=100)



Source: CPB World Trade Monitor.

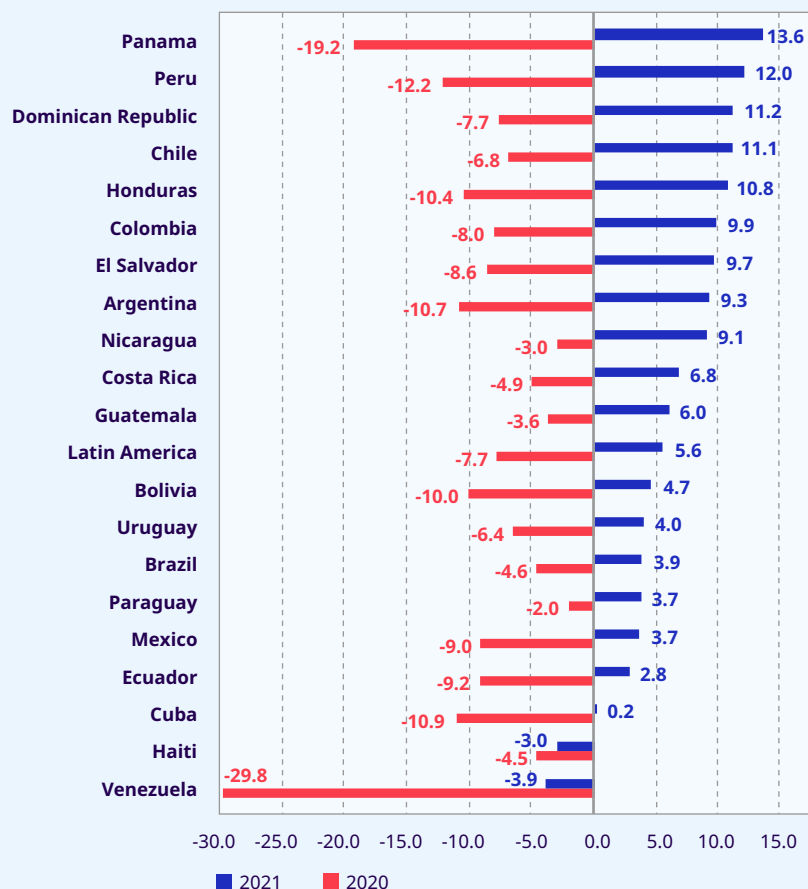
1.2 Latin America and the Caribbean: the region returned to growth without regaining pre-pandemic GDP per capita levels

Latin America and the Caribbean showed significant economic recovery in 2021. According to ECLAC estimates, **the regional average GDP grew by 6.6 per cent in 2021 (6.9 per cent for the IMF, updated**

as of July 2022), partially recovering from the 6.9 per cent contraction (7 per cent for the IMF) suffered in 2020.

However, Latin America's GDP per capita accumulated an average fall of 2.6 per cent in 2020-21, after falling by nearly 8 per cent in 2020 and growing by 5.6 per cent in 2021 (Figure 1.4). Twelve of the 20 Latin American economies ended 2021 with lower GDP per capita than in 2019. Only Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Nicaragua, and Paraguay had recovered pre-pandemic levels.

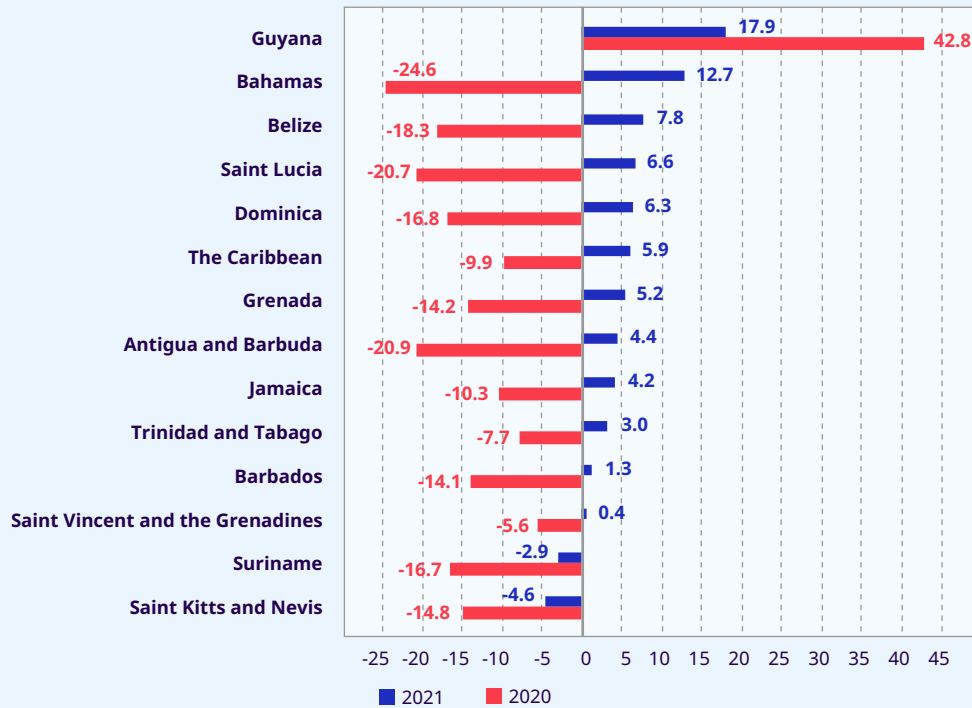
► Figure 1.4. Latin America - GDP per capita at constant prices



Source: ECLAC.

In the Caribbean, where the average contraction reached 4.5 per cent in the biennium, only Guyana's GDP per capita increased (68.4 per cent) due to the start of oil activity, while the rest of the countries recorded a contraction; 9 of the 14 economies considered (specialised in tourism services, with the exception of Suriname) ranged between 10 per cent and 20 per cent (Figure 1.5). Excluding Guyana, Caribbean GDP per capita contracted by 13.8 per cent in 2020 and grew by 4.6 per cent in 2021, for a cumulative decline of 9.8 per cent over the biennium.

► Figure 1.5. The Caribbean - GDP per capita at constant prices



Source: ECLAC.

Almost all economies in the region (with very few exceptions) began to recover in the second half of 2020, when policy relief to cushion the impact of the health emergency was combined with a gradual decline in infections as the first wave of the virus dwindled. This resulted in a statistical carry-over effect that explained a significant part of the increase in growth rates observed in 2021.

Fiscal policies carried most of the weight to support businesses and individuals. As a result, the average primary fiscal deficit in Latin America and the Caribbean rose from the equivalent of 0.4 per cent of GDP in 2019 to 5.4 per cent of GDP in 2020, but the expansionary impulse virtually disappeared by 2021, as stimulus was withdrawn and the deficit was reduced to the equivalent of 1 per cent of GDP. The fiscal measures were accompanied by monetary and financial policy initiatives to increase and cheapen credit, but these measures were also reversed in 2021 in response to the rise in inflation rates referred to below.

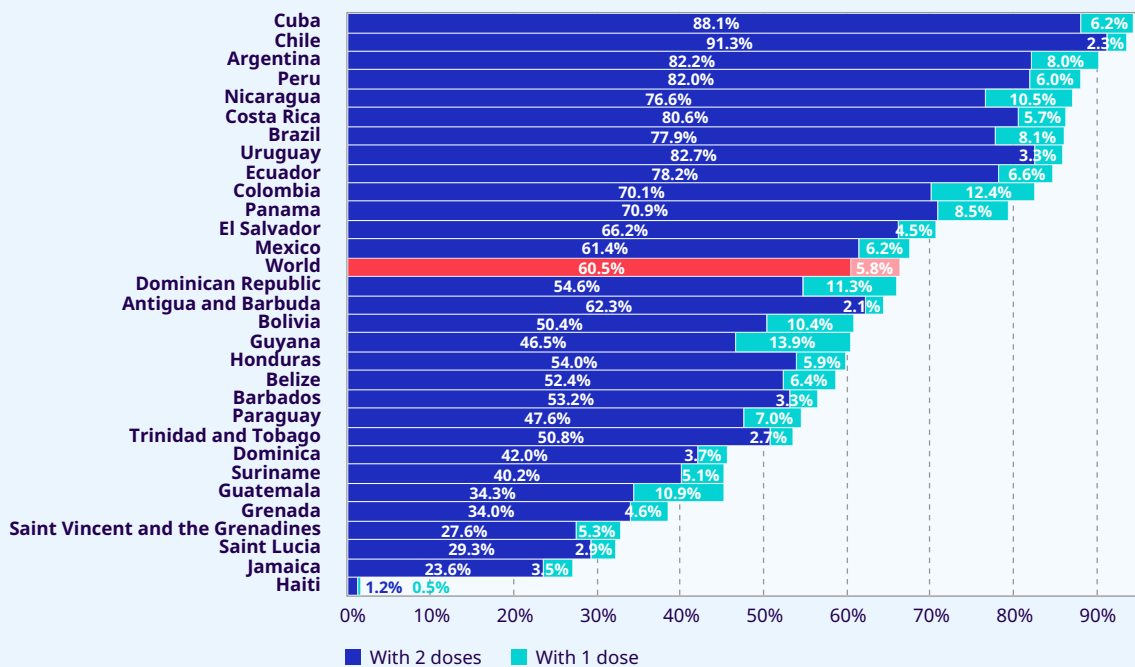
The recovery of the Latin American economies was accompanied in the first part of the year by an increase in export volumes which, as Figure 1.3 shows, lost momentum in the second half of the year. The year also saw an improvement in the terms of trade for the region as a whole, albeit this improvement was limited to commodity-exporting economies of South America, and not Central American economies, which are net importers of food and energy.

International tourist arrivals to Caribbean countries also showed a significant recovery throughout the year, though not reaching pre-pandemic levels. On the other hand, the global economy's recovery was evidenced in the increase in remittances from migrant workers which, according to ECLAC estimates, reached 30 per cent in 2021 after growing 8 per cent in 2020.

Since the beginning of 2021, the countries of the region have launched massive vaccination campaigns significantly reducing the severity of cases, thus avoiding the need to resort to massive closures such as those that had taken place the previous year in the face of the second wave of infections. At first the momentum of these campaigns was uneven because access to vaccines was difficult; however,

over the months a very high proportion of the population was vaccinated in several countries in the region, especially in South America. As Figure 1.6 shows, however, in some countries there is still a long way to go by 2022. **By mid-2022, the proportion of the population vaccinated was still below the global average in 17 of 30 countries in the region**, including all Caribbean countries as well as Bolivia, Paraguay, Honduras, Guatemala and especially Haiti.

► **Figure 1.6.** Latin America and the Caribbean - Vaccines Administered as a percentage of the population by mid-June 2022



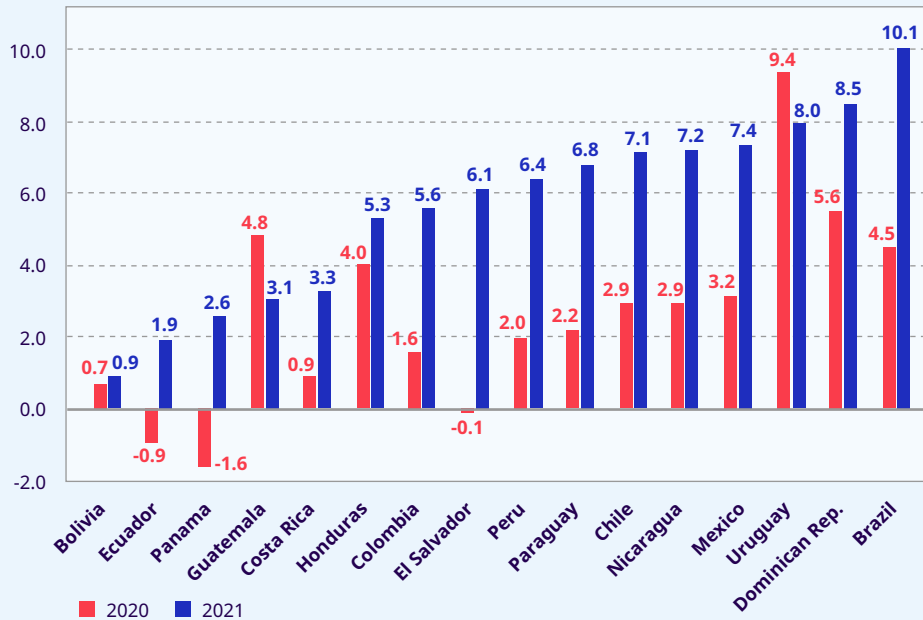
Source: Our World in Data.

As noted above, the recovery of global economies was accompanied by a rise in inflation rates, which reached levels not seen in a long time. The upward pressures on price levels stemmed from a combination of supply constraints by production and supply bottlenecks, rising transport costs, and growing demand driven by generous financial assistance packages. This was compounded by the availability of high levels of household savings, which were augmented by difficulties in consuming during the pandemic.

The economies of Latin America and the Caribbean were not immune to the accelerating inflation process. On the contrary, with very few exceptions, inflation rates increased significantly in 2021 in the countries, bringing back to the fore an issue that had long lost significance in the discussion of macroeconomic policies in the region (Figure 1.7 and Figure 1.8).²

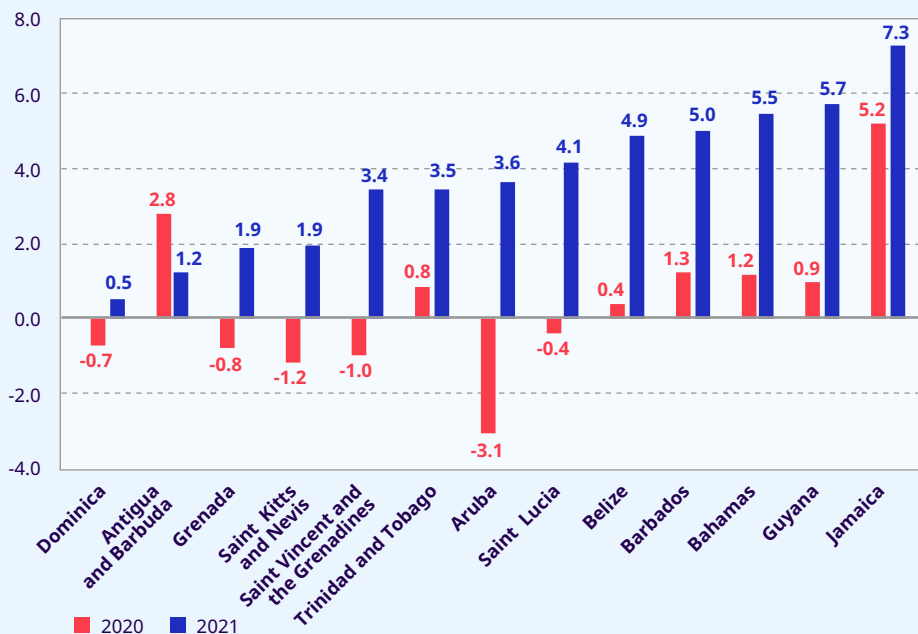
2 Due to scaling problems, Figures 1.7 and 1.8 exclude some countries with inflation rates much higher than the rest of the economies in the region, such as Argentina, Haiti, Suriname, and Venezuela. With the exception of Haiti, where the inflation rate declined, these countries also saw an increase in the inflation rate in 2021.

► **Figure 1.7.** Year-on-year change in Consumer Price Indexes (December/December). Selected Latin American countries (percentage)



Source: IMF.

► **Figure 1.8.** Year-on-year change in Consumer Price Indexes (December/ December). Selected Caribbean countries (percentage)



Source: IMF.

Moreover, given that the increase in inflation indexes was generally driven by higher food prices, this has led to a worsening of the already complex social situation by deepening the regressive redistributive impact that already characterises inflation.

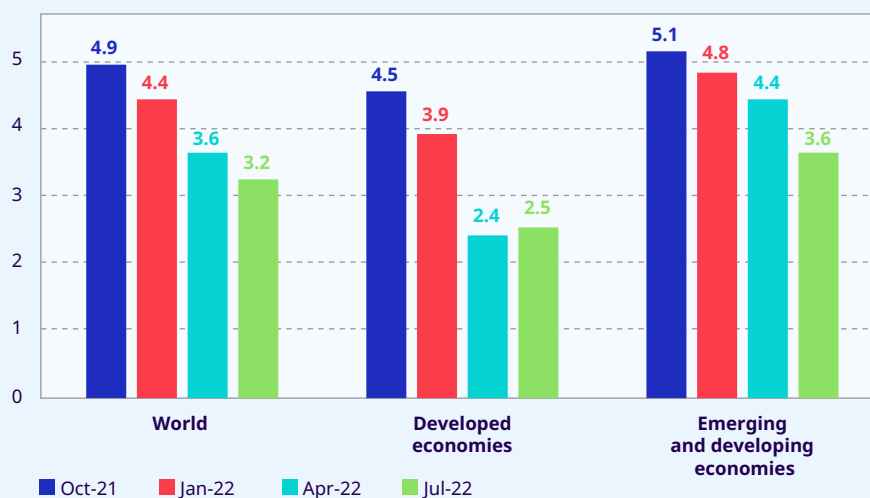
1.3 Russia's invasion of Ukraine and its impact on the world economy: slowing economic growth and accelerating inflation

At the end of 2021, a slowdown in economic growth was forecast for 2022, in a context in which rising inflation rates suggested a rapid withdrawal of fiscal and monetary stimuli. While there was still a latent possibility that a new strain of the virus could have an adverse social and economic impact, the scope of the vaccination campaigns nevertheless made it possible to better anticipate the future evolution of the pandemic. However, it is worth remembering that, even before the arrival of the virus, the world economy had been going through a period characterised by marked slowdown in economic growth and international trade compared to the levels prior to the international financial crisis at the end of the first decade of this century. This scenario was compounded, as a lasting consequence of the health crisis, by the emergence of supply bottlenecks and disruptions in production chains that hindered the supply of inputs and final products, and by the adoption of a contractionary bias in macroeconomic policies to prevent inflation from escalating further.

This scenario was further fuelled in February 2022 by Russia's invasion of Ukraine and the ensuing war between the two countries. Beyond the humanitarian drama of the war that has been raging for several months now, this situation aggravated the problems that the global economy had already been facing. The severity of the situation has led to a downward revision of growth forecasts, while, at the same time, the acceleration of inflation has been accentuated. Economic authorities face the dilemma of either maintaining some kind of stimulus in order to avoid a recession or tightening monetary and financial policies even more rapidly in order to control the increase in inflation rate.

As Figure 1.9 shows, the IMF had already started to revise downwards its growth projections earlier this year, mainly because of the prospect of a faster than previously expected withdrawal of macroeconomic stimuli and the impact on the Chinese economy of a new wave of contagion. In the April projections, forecasts were again revised downwards as a result of the impact of the war. In the same vein, the OECD revised downward the 2022 world economic growth forecast it had predicted in December 2021 of 4.5 per cent to 3 per cent in June this year. The latest IMF projection in July further reduces the IMF's April global growth estimate from 3.6 per cent to 3.2 per cent. This decline is particularly marked in emerging and developing economies. Also, according to this agency, global output contracted in the second quarter of this year.

► Figure 1.9. 2022 Growth Rate Forecasts (percentage)



Source: IMF.

At the same time, the impact on the inflation rate of higher international hydrocarbon and food prices has led to an upward revision of inflation projections for 2022 from 3.9 per cent to 6.6 per cent in developed economies and from 5.9 per cent to 9.5 per cent in emerging and developing economies. In 2021, these



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In line with the global economy, a significant slowdown in economic growth rate was forecast for the region at the end of 2021.

The gradual withdrawal of fiscal and monetary stimuli in a context of rising inflation and a more complex international financial scenario already led to a decline in the growth rate and a return to the low levels recorded in the five-year period prior to COVID-19 (2014-2019).

rates were 5.3 per cent and 7.3 per cent, respectively, showing not only that inflationary acceleration will continue, but that it is expected to be relatively stronger in the latter group of countries.

1.4 The impact of war on Latin America and Caribbean economies: new constraints on the path to economic recovery

In line with the global economy, a significant slowdown in economic growth rate was forecast for the region at the end of 2021. The gradual withdrawal of fiscal and monetary stimuli in a context of rising inflation and a more complex international financial scenario already led to a decline in the growth rate and a return to the low levels recorded in the five-year period prior to COVID-19 (2014-2019). Against this baseline scenario, **the war between Russia and Ukraine had direct negative impacts on the economies of the region as a result of increased international energy and food prices, and indirect impacts related to the general deterioration of the world economy mentioned above.**

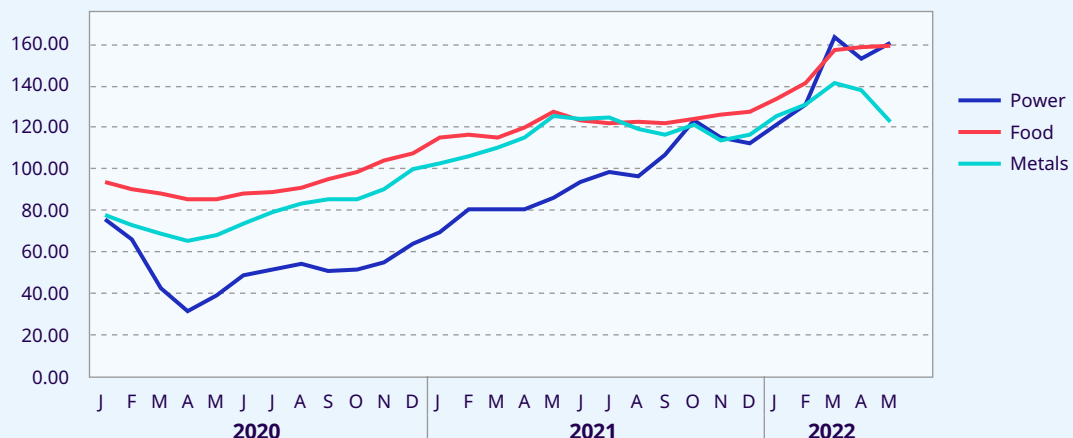
International commodity prices had already been rising since the mid-2020s, as the post-pandemic economic recovery generated increased demand for raw materials. The war only accelerated these increases, given Russia's large share of hydrocarbon supply (especially in Europe) and both countries' large share of grain production and exports. The effect of these increases on the region's economies is twofold: on the one hand, it affects the terms of trade, in some cases positively and in others negatively; on the other hand, it puts upward pressure on the inflation rate and has a regressive distribution impact that affects all countries. This is because food and transport are an important component in the basic basket of lower-income households compared to middle- and high-income households.

As shown in Figure 1.10, commodity prices showed an upward trend from the second half of 2020 and prices of energy and food increased significantly in the first months of 2022, following the war; this has been labelled the largest international price shock since the 1970s.



The war between Russia and Ukraine had direct negative impacts on the economies of the region as a result of increased international energy and food prices, and indirect impacts related to the general deterioration of the world economy mentioned above.

► Figure 1.10. Commodity Price Indexes (2010=100)



Source: World Bank.

For the region as a whole, the rise of international commodity prices increased trade terms. However, the impact differs in commodity-exporting economies, such as South America, and in net commodity-importing economies, such as Central America and the Caribbean. Even among the former, there are also important differences between hydrocarbon and food exporters, on the one hand, and metal exporters, on the other.

According to ECLAC estimates, the largest terms-of-trade increases would be observed in energy exporters, smaller increases in food exporting but energy importing economies, and negative increases in metal exporters and, particularly, Central American and Caribbean economies specialised in tourism services.

Considering the impact that the evolution of the terms of trade would have on the net supply of foreign exchange from foreign trade in goods and services, in a context of greater difficulties in accessing external financing, most of the countries in the region would face significant negative conditions.

On the other hand, as noted above, the evolution of international prices has a strong impact on the dynamics of the inflation rate, which was already accelerating before the latest increases and is expected to increase further during the year. According to ECLAC, inflation in Latin America and the Caribbean was 8.4 per cent in June 2022, *i.e.* more than double the average of the 2005-2019 five-year period. Meanwhile, IMF's forecast (July 2022) for the region as a whole stood at 12.1 per cent. With the inflation rate expected to remain high throughout the year, central banks in the region are expected to continue tightening monetary policy in order to avoid a rise in inflation expectations that would push them away from their targets.

In addition, beyond the decline in real incomes for consumers as a whole, the distribution effects of price increases will be significant given that energy and food consumption represent a larger share of total consumption for low-income households than for higher-income households.

The sum of the negative effects on foreign trade, the increased contractionary bias of monetary policy, the decline in consumer income and the regressive effect on income distribution will have a negative impact on growth in the region. It will even be significantly lower than that of 2021.

At the regional level, ECLAC forecast a sharp slowdown in growth from 6.6 per cent in 2021 to 2.1 per cent in 2022 at the beginning of 2022, and then revised downwards to 1.8 per cent in April. In August, forecast rose to 2.7 per cent. Moreover, the strong growth observed in the first half of the year has led the IMF to revise upwards the expected growth for the year from 2.5 per cent in April to 3.0 per cent in the July 2022 update, even though a slowdown is expected in the second half of the year.³ However, if these forecasts are confirmed, GDP per capita in 2022 would still fall below pre-pandemic levels in Bolivia, Brazil, Ecuador, Mexico, Panama, Venezuela and in all Caribbean countries, with the exception of Guyana.

2. Labour Market Dynamics in Latin America and the Caribbean: the Impacts of Multiple Crises

2.1 Participation, employment and unemployment rates

As mentioned, the Latin American and Caribbean region has been one of the most affected globally by the economic and labour impacts of the COVID-19 pandemic (ILO, 2020, 2022, Beccaria et al., 2022). This was evidenced through unprecedented reductions in the level of economic activity, employment and

³ Given their weight in the region's GDP, the difference between the April and July growth forecasts is explained by the upward revision of expected growth in Brazil (from 0.8% to 1.7%) and to a lesser extent in Mexico (from 2.0% to 2.4%).

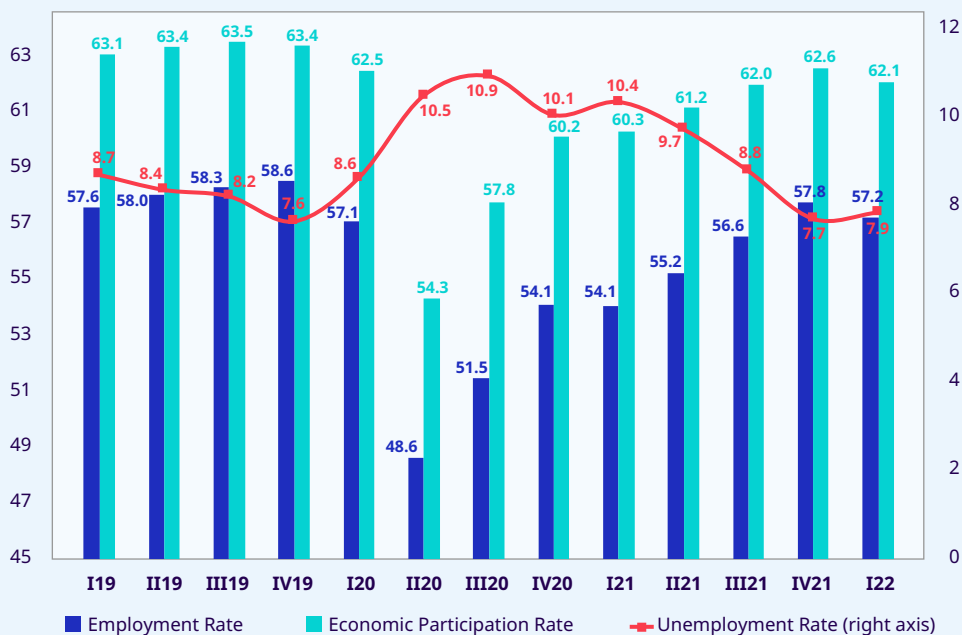


The Latin American and Caribbean region has been one of the most affected globally by the economic and labour impacts of the COVID-19 pandemic (ILO, 2020, 2022, Beccaria et al., 2022). This was evidenced through unprecedented reductions in the level of economic activity, employment and hours worked; a sharp deterioration in productive capacity and business closures; significant contractions in average incomes; and increase in poverty and indigence.

hours worked; a sharp deterioration in productive capacity and business closures; significant contractions in average incomes; and increase in poverty and indigence.

Thus, it is possible to identify distinct phases in the dynamics of labour markets in the region since the outbreak of the pandemic until the third quarter of 2021 (Figure 2.1). In the first phase, between the first and second quarters of 2020, the average employment rate at the regional level fell sharply, by about 15 per cent. This led to unemployment, but mostly to strong outflows from the labour force.⁴ The latter was a consequence of both the confinement and distancing measures and the unfavourable expectations about the chances of finding employment in this context, factors that reduced incentives for those who lost their jobs to seek employment opportunities.

► **Figure 2.1.** Quarterly Changes in Employment Rate, Unemployment Rate and Workforce Participation Rate. Latin America and the Caribbean (14 countries). Q1 2019 - Q1 2022



Source: Own elaboration based on SIALC/ILO.

4 National statistics offices in the region treated differently those employed who were temporarily absent from work, especially towards the mid-2020s, hence the figures presented here are not always strictly comparable across countries. However, they represent a very good approximation of the performance of these variables during the period under analysis.

Thereafter, around mid-2020, the region entered a new phase associated with a partial recovery of employment in line with economic reactivation. This process, however, came to a halt at the regional level in the first months of 2021. In the first quarter of 2021, these indicators did not register significant changes compared to those observed in the previous quarter. New waves of contagions and measures to contain them in the face of insufficient speed in the vaccination rate, uncertainty regarding macroeconomic and sectoral developments, the greater reaction of working hours to job creation, and the complex situation experienced by many businesses, particularly smaller ones, were some of the factors associated with the weak labour demand experienced in those months. In addition, some of these movements may have been influenced by seasonal behaviour usually observed in the first quarter of each year.

Subsequently, as the region resumed the path of economic recovery from mid-2021 (depending on the country) on the back of a higher vaccination rate and better control of the health situation, labour indicators returned to positive changes in the second, third and fourth quarters of 2021.

The employment rate rose by 1.2 percentage points (2 per cent) in each of the three quarters. The economic participation rate rose by 0.9, 0.8 and 0.6 percentage points, respectively. As a net result of both developments, the unemployment rate followed a declining path: it fell by 0.6 percentage points (-6 per cent) in the second quarter, by 0.9 percentage points (-10 per cent) in the following quarter, and by 1.1 percentage points (-12 per cent) in the fourth quarter.

However, these recovery phases were not as strong as to return fully to pre-pandemic values by the end of 2021, two years after its onset. The employment rate and the economic participation rate in the fourth quarter of that year were 0.8 percentage points lower than in the same quarter of 2019, as a result unemployment rates were almost identical.

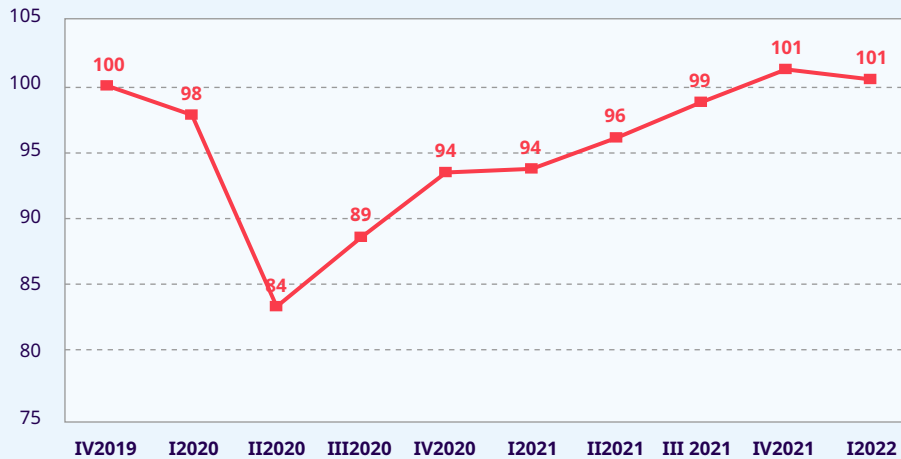
Moreover, in the first quarter of 2022, slight reductions in the employment rate (-0.6 percentage points) and in the economic participation rate (-0.5 percentage points) were recorded at the regional level, while the decline in the unemployment rate was halted. The regional employment rate for that quarter was 57.2 per cent, the economic participation rate was 62.1 per cent and the unemployment rate was 7.9 per cent (Figure 2.1).

These dynamics may reflect certain seasonal effects, but they could also be associated with the negative impacts of the Russian invasion of Ukraine and the slowdown in the economic recovery process. As shown below, this hypothesis seems to gain strength when extending the analysis to the second quarter of this year for those countries for which information is available.

A comparison of the labour indicators for the first quarter of 2022 with those recorded in the first quarter of 2019 shows that the regional employment rate has not yet fully recovered to the values recorded three years ago, although the difference is very small. Nor has it returned to the average economic participation rate of that time. However, because the lag in the recovery of this second variable is greater than in the case of employment, the unemployment rate fell (from 8.7 to 7.9 per cent) between the two points in time (Figure 2.1).

In addition, when analysing the evolution of the total volume of jobs, the asymmetry between the duration of the contractionary phase and that of the subsequent recovery phase is clearly visible: **it took 6 quarters to recover the total number of jobs lost in the region during the first two quarters of 2020 (Figure 2.2).**

► **Figure 2.2.** Evolution of the Total Number of Occupations in Latin America and the Caribbean. IV Q 2019 - I Q 2022. Index 100= IV Q 2019

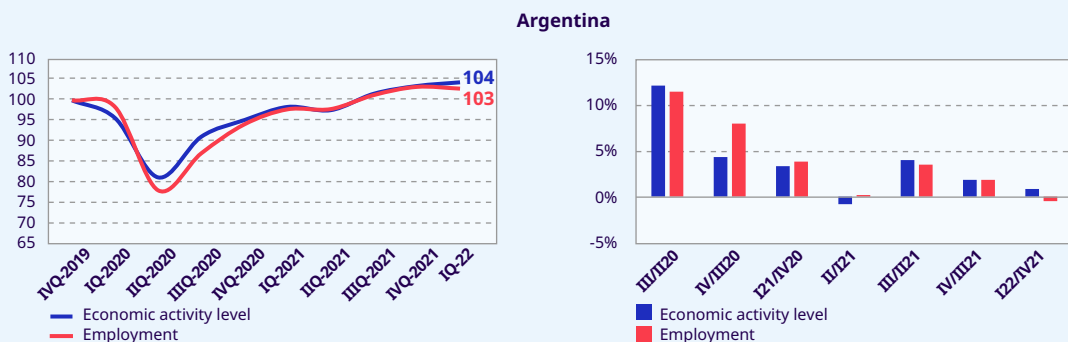


Source: Own elaboration based on household surveys and employment surveys, and population projections based on CELADE/ECLAC.

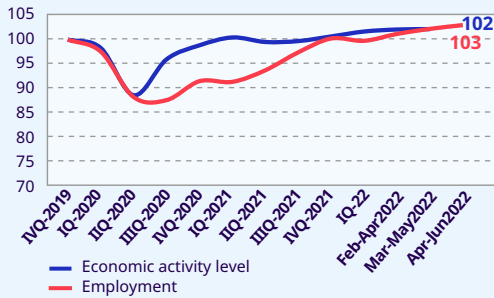
This asymmetric behaviour between the short but intense phase of employment contraction and the long phase of recovery occurred in all the countries considered in Figure 2.3. However, there too, the **speed of employment recovery was similar to, or even faster than, that observed in the level of economic activity**. This in fact allowed both indicators - employment and activity - to reach similar values in several of these countries, even though the initial contraction of employment significantly exceeded that of output.

In most of them, however, there is evidence of some slowdown in this process, both in terms of activity levels and quantity of jobs. For example, in Chile, the employment growth rate between the third and fourth quarters of 2021 was 4 per cent and fell to 0.5 per cent between the first and second quarters of 2022. In Argentina, the change in employment went from 4 per cent between the second and third quarters of 2021 to 2 per cent between this quarter and the next, and almost zero between the fourth quarter of 2021 and the first quarter of 2022. Quarter-on-quarter employment growth in Brazil declined from 3 per cent between the third and fourth quarters of 2021 to 1 per cent in the rolling quarters of 2022.

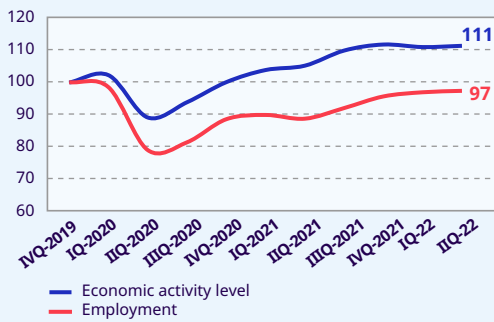
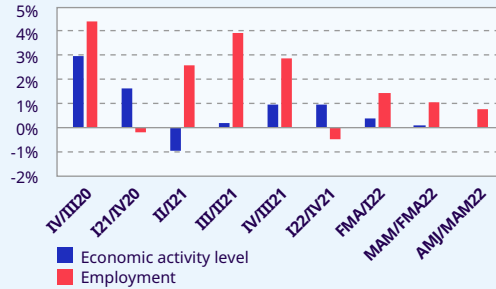
► **Figure 2.3.** Evolution of the Level of Economic Activity and Employment. Selected Latin American countries. Q4 2019- Q2 2022



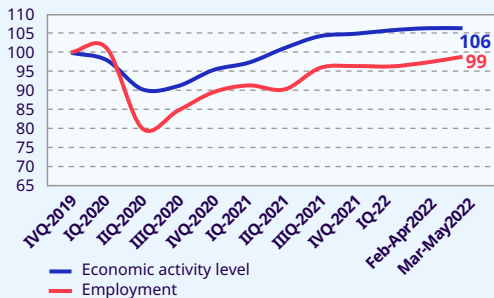
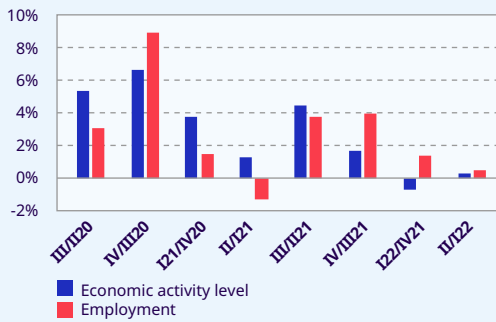
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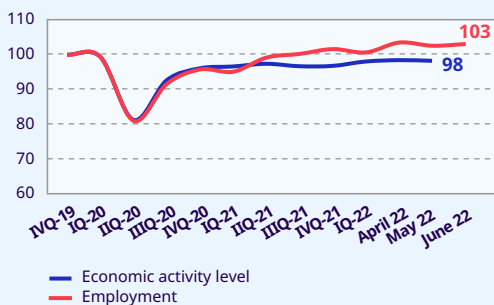
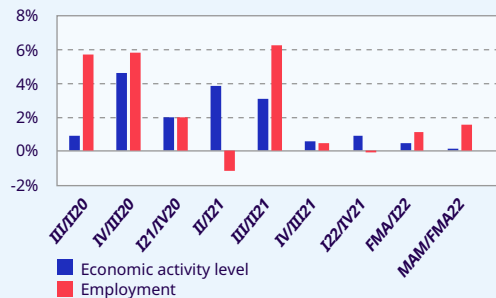
Brazil



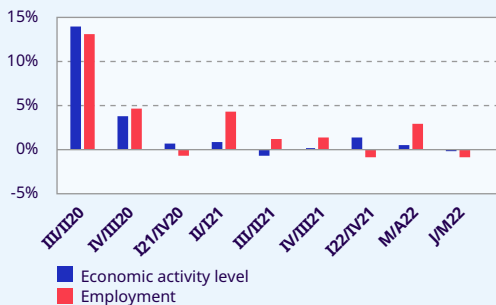
Chile



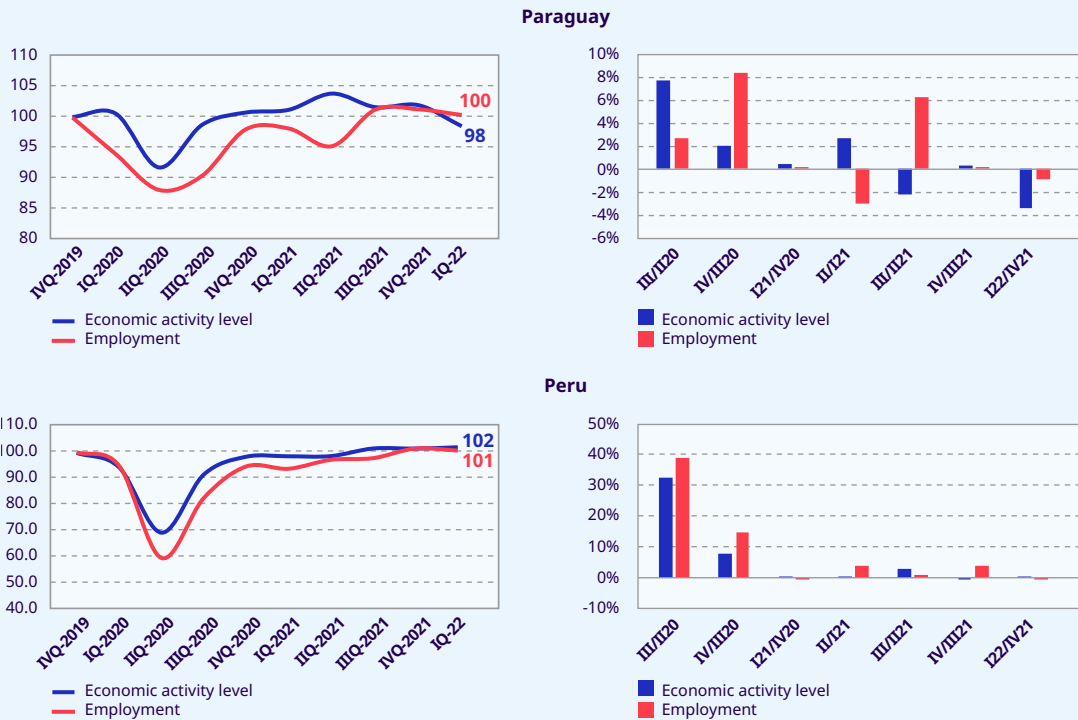
Costa Rica



Mexico



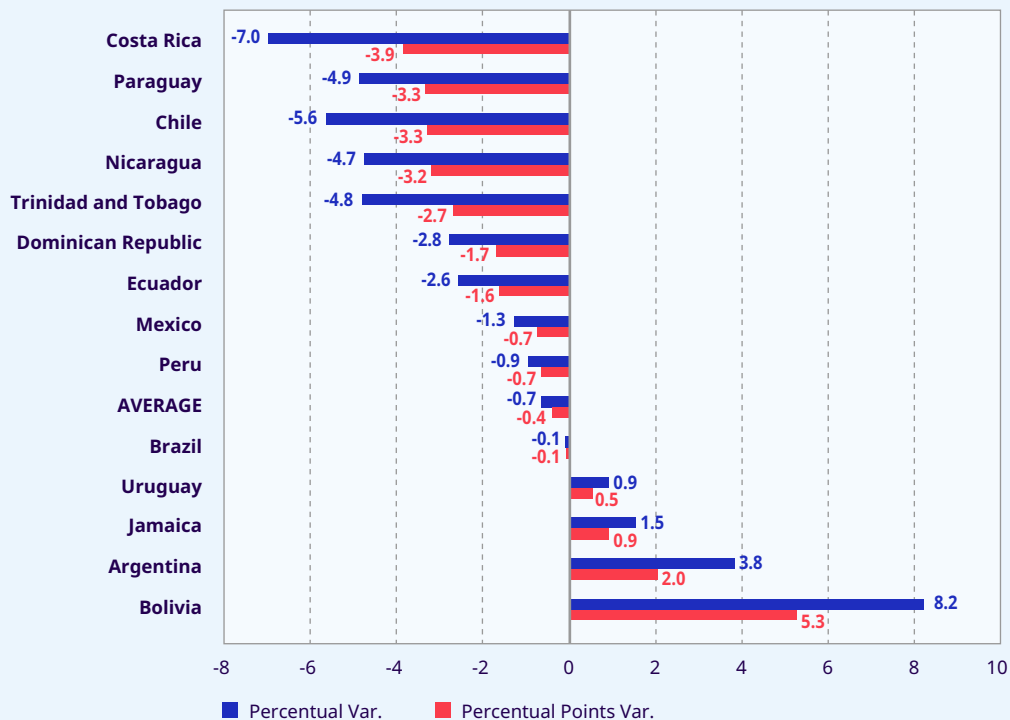
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Source: Own elaboration based on household surveys and employment surveys, and official data on the evolution of the level of economic activity.

This behaviour the more worrying as in 10 out of 14 countries, the employment rate in the first quarter of 2022 was still lower than three years earlier (Figure 2.4 and Table 2.1). This is consistent with the regional picture. In half of them, the gap was around 5 per cent or higher.

► Figure 2.4. Change in Employment Rate. Selected Latin American and Caribbean countries. Q1 2019-Q1 2022



Source: Own elaboration based on SIALC/ILO.

 The fact that the participation rate in most countries has not yet fully recovered in a context of slowing job creation increases the likelihood that the unemployment rate will rise in the near future.

Meanwhile, only in 3 (Argentina, Bolivia and Peru) of the 14 countries considered here had the economic participation rate in the first quarter of 2022 recovered the levels of the first quarter of 2019. Finally, the lower regional unemployment rate between the two quarters occurred only in 6 countries. This indicator in the remaining 8 countries at the beginning of 2022 was higher than at the beginning of 2019. In Brazil and Costa Rica, the unemployment rate exceeded 10 per cent, while in Argentina, Chile, Paraguay and Uruguay it was around 7/8.5 per cent (Table 2.1).

The fact that the participation rate in most countries has not yet fully recovered in a context of slowing job creation increases the likelihood that the unemployment rate will rise in the near future.

► **Table 2.1.** Main Labour Market Indicators. Selected Latin American and Caribbean countries. Q1 2019 and Q1 2022

Country	Participation rate		Employment rate		Unemployment rate	
	I 2019	I 2022	I 2019	I 2022	I 2019	I 2022
Argentina ^{a/}	58.9	59.1	52.9	54.9	10.1	7.0
Bolivia (Pluri. State of) ^{b/}	68.2	73.7	64.1	69.3	6.0	5.9
Brazil ^{c/}	63.4	62.1	55.2	55.2	12.8	11.1
Chile	62.7	59.5	58.2	54.9	7.2	7.8
Costa Rica	62.4	59.6	55.4	51.5	11.3	13.6
Ecuador	66.5	64.9	63.4	61.8	4.6	4.8
Mexico	59.5	58.7	57.5	56.7	3.4	3.5
Nicaragua	71.7	66.7	67.4	64.2	6.0	3.8
Paraguay	73.6	71.2	68.5	65.2	6.9	8.5
Peru	72.9	72.9	69.2	68.6	5.0	6.0
Uruguay ^{d/}	62.4	62.1	56.9	57.5	8.8	7.4
Spanish-speaking Caribbean						
Dominican Republic	64.9	63.5	61.1	59.4	5.8	6.4
English-speaking Caribbean						
Jamaica	64.2	64.0	59.1	60.0	8.0	6.2
Trinidad and Tobago	58.0	55.9	55.7	53.0	4.0	5.1
Latin America and the Caribbean ^{e/}	63.1	62.1	57.6	57.2	8.7	7.9

Source: Own elaboration based on SIALC/ILO.

a/ 31 urban agglomerates.

b/ For the sake of comparability, the data presented only consider urban areas.

c/ New re-weighted series published by IBGE.

d/ From July 2021, the ECH includes a methodological change to a monthly rotating panel survey.

e/ Weighted Average.

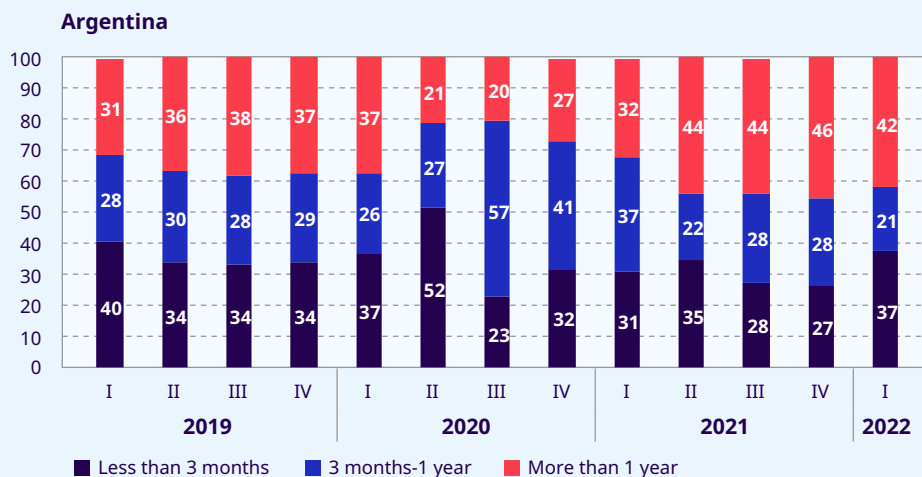
In addition to the unemployment rate, another relevant indicator has been the duration of unemployment. As shown in Figure 2.5, for example, in three countries in the region, **the proportion of unemployed one year or more showed an upward trend since the start of the pandemic.** In particular, as illustrated in the table, massive outflows of workers from an occupation in the first quarters of 2020 (partially) translated into their inflow into unemployment; thereby increasing the share of unemployed under three months. Subsequently, during the second half of 2020, the share of the low-duration unemployed declined while the next tranche - between 3 months and 1 year - increased. Finally, since the end of 2020, there has been an increasing trend in the share of the "long-term" unemployed, *i.e.* those unemployed for more than one year. In the three countries included here, this group accounts for a significantly higher share of the total unemployed than that observed prior to the outbreak of the pandemic.

In other words, in addition to an average unemployment rate of around 8 per cent, the average duration of unemployment episodes has risen sharply as a result of the crisis. Moreover, this increase was observed in 2021, when the unemployment rate was on a downward trend.

This picture is even more worrying when considering that most of the exits from an occupation were experienced by informal workers who therefore did not have access to contributory unemployment insurance when they were unemployed. This may have implied, in most cases, the loss or reduction of the most important source of individual and family income.

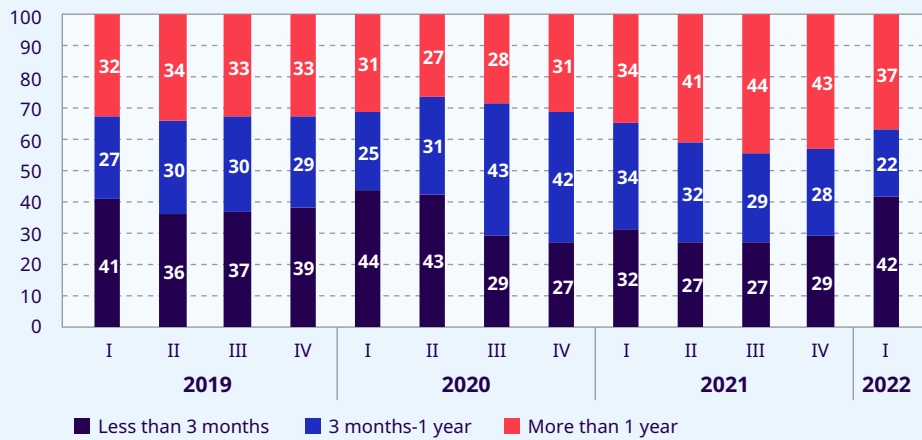
Moreover, extended periods of unemployment may not only be accompanied by a reduction in other sources of disposable income, but may also erode the worker's human capital and thus further reduce the likelihood of finding a job, especially a quality job, in the near future.

► **Figure 2.5.** Distribution of Unemployed by Duration of Unemployment. Selected Latin American countries. Q1 2019-Q1 2022 (percentage)

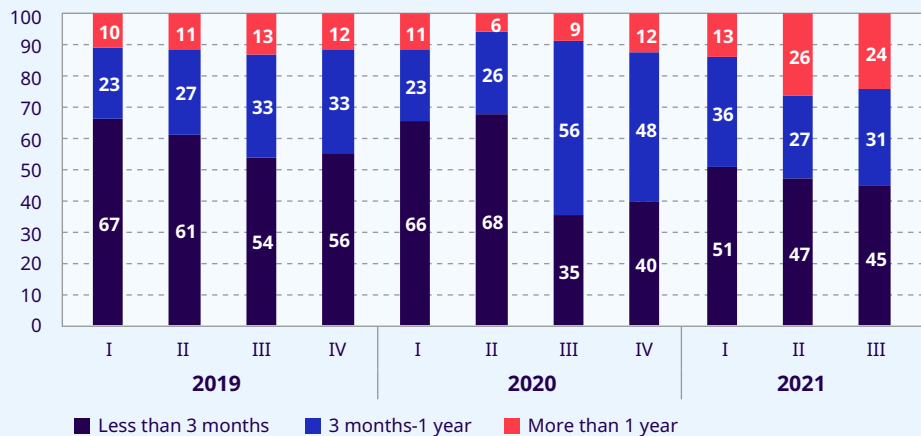


► Continues...

Brazil



Chile



Source: Own elaboration based on SIALC/ILO.

2.2 Changes in hours worked

After the sharp reduction in the total number of hours worked since mid-2020, these have been increasing, a process associated with both the increase in the number of employed persons and the rise in the average hours actually worked. With respect to the latter, its dynamics has been driven, in turn, by two factors. On the one hand, the reduction in the proportion of those employed who were absent, *i.e.* who did not work any hours.⁵ On the other hand, the increase in the number of hours worked by those who worked at least one hour or more.

Recovery in terms of hours, in turn, was stronger than that of employment recovery (Figure 2.6). This is to be expected since the increase in labour use in recovery phases is generally observed through a more intense use of the existing workforce and then – only if the increase in demand for workers continues – also through the creation of new jobs.

⁵ Strictly speaking, this refers to those who did not work even one hour in the reference week of the surveys, which is the week prior to the week in which the interview was conducted.



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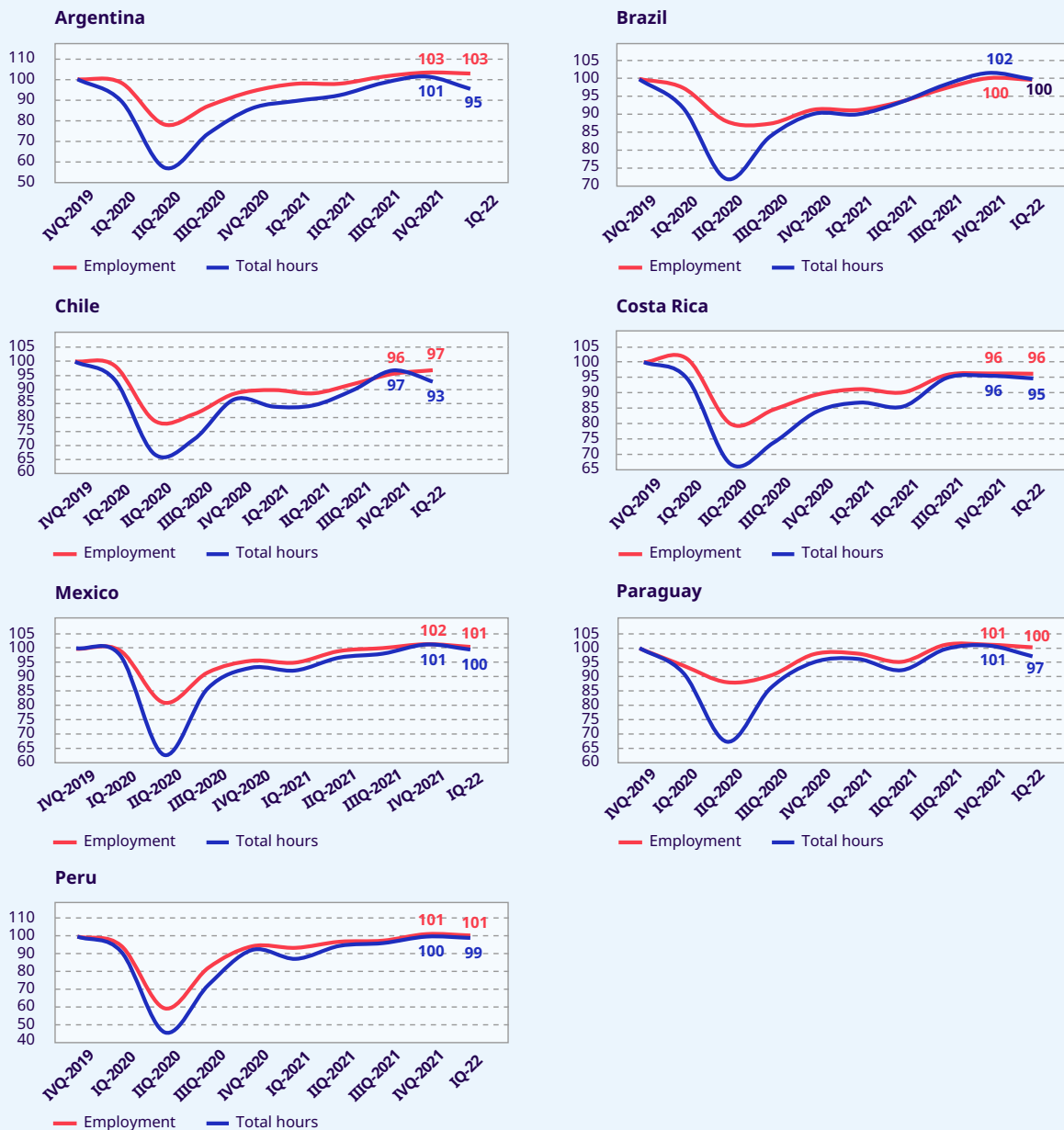
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As a result, by the end of 2021/beginning of 2022⁶ both indicators were very similar to each other. However, in cases where the quantity of jobs has not yet recovered to pre-pandemic values, neither has the total mass of hours worked. Also, as in the case of employment, there are some emblematic cases a slowdown in the growth of this indicator.

► **Figure 2.6.** Changes in Total Employment and Total Hours Worked. Selected Latin American countries. Q4 2019- Q1 2022



Source: Own elaboration based on SIALC/ILO.

⁶ Hours worked in the first quarter of each year may be affected by seasonality, in particular associated with holidays.

3. Formal and Informal Employment: Recovery driven by Informal Occupations, but with Formal Jobs Increasingly Contributing to Employment Growth

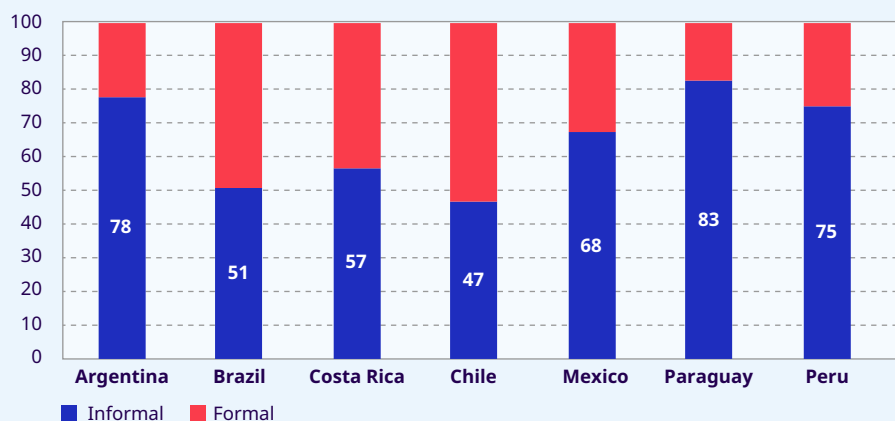
Following the sharp informal employment contraction during the most critical phase of the pandemic, job recovery was driven by growth in informal occupations. As Figure 3.1 shows, these occupations have accounted for 50 and 80 per cent of the net increase in jobs between the third quarter of 2020 and the first quarter of 2022.

This situation reflects, on the one hand, that the increase in the level of activity did not entirely require new formal workers as businesses initially coped with the growing production by increasing the hours worked, including the return to work of suspended and temporarily absent wage earners. On the other hand, it accounts for the fact that some own-account workers-many of them informal- were able to return to activities that had been interrupted by mobility restrictions. The increase in the number of informal wage-earning jobs can also be associated, to some extent, with the reopening of small businesses that are, in general, informal.



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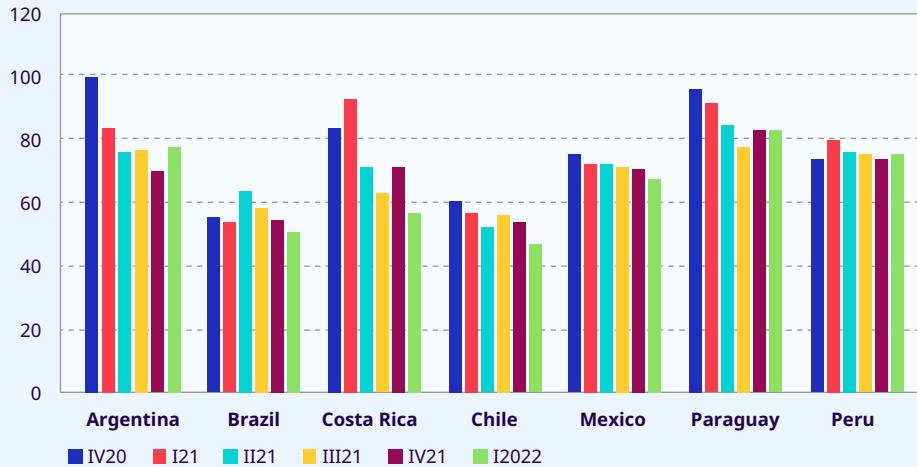
► **Figure 3.1.** Contribution of Formal and Informal Employment to Total Employment Recovery. Selected Latin American countries. Q3 2020-Q3 2022



Source: Own elaboration based on SIALC/ILO.

However, **when looking at the contribution of informal jobs quarter by quarter since the end of 2020, the contribution of informal jobs declined in most of the countries considered here**, albeit with fluctuations (Figure 3.2). Thus, the simple average contribution of informal employment among these countries in the fourth quarter of 2020 was around 80 per cent, while it was 63 per cent in the first quarter of 2022.

► **Figure 3.2.** Cumulative Contribution of Informal Employment to The Recovery Phase of Total Employment. Selected Latin American countries. Q4 2020-Q4 2022

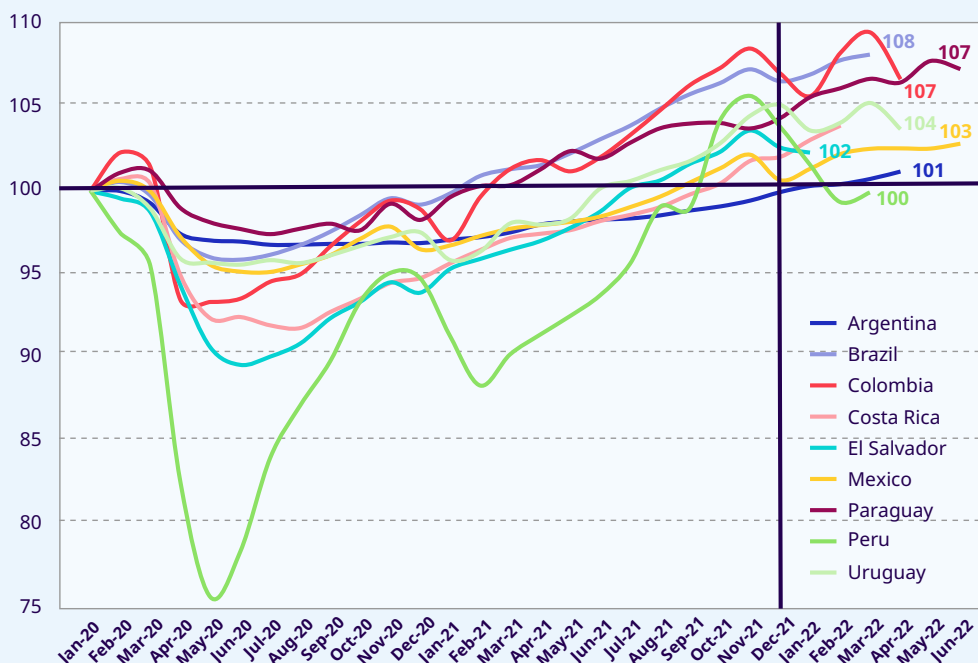


Source: Own elaboration based on SIALC/ILO.

That was partially associated to the dynamism of formal private paid employment, as shown in Figure 3.3. As detailed in previous reports and studies (ILO, 2020, 2022; ECLAC-ILO, 2021; Beccaria et al, 2022), a number of strategies were deployed in the region during 2020 to sustain the formal wage-earning relationship; then, especially in 2021, some countries implemented specific measures to encourage the creation of new formal jobs.

In all of these countries, the latest records were higher than at the beginning of 2020, although some of them regained the formal jobs lost at the end of 2021. Moreover, in half of the countries considered here, the latest figure for 2022 was lower than at the end of the previous year as a result of some fluctuations and reductions observed during the first months of 2022.

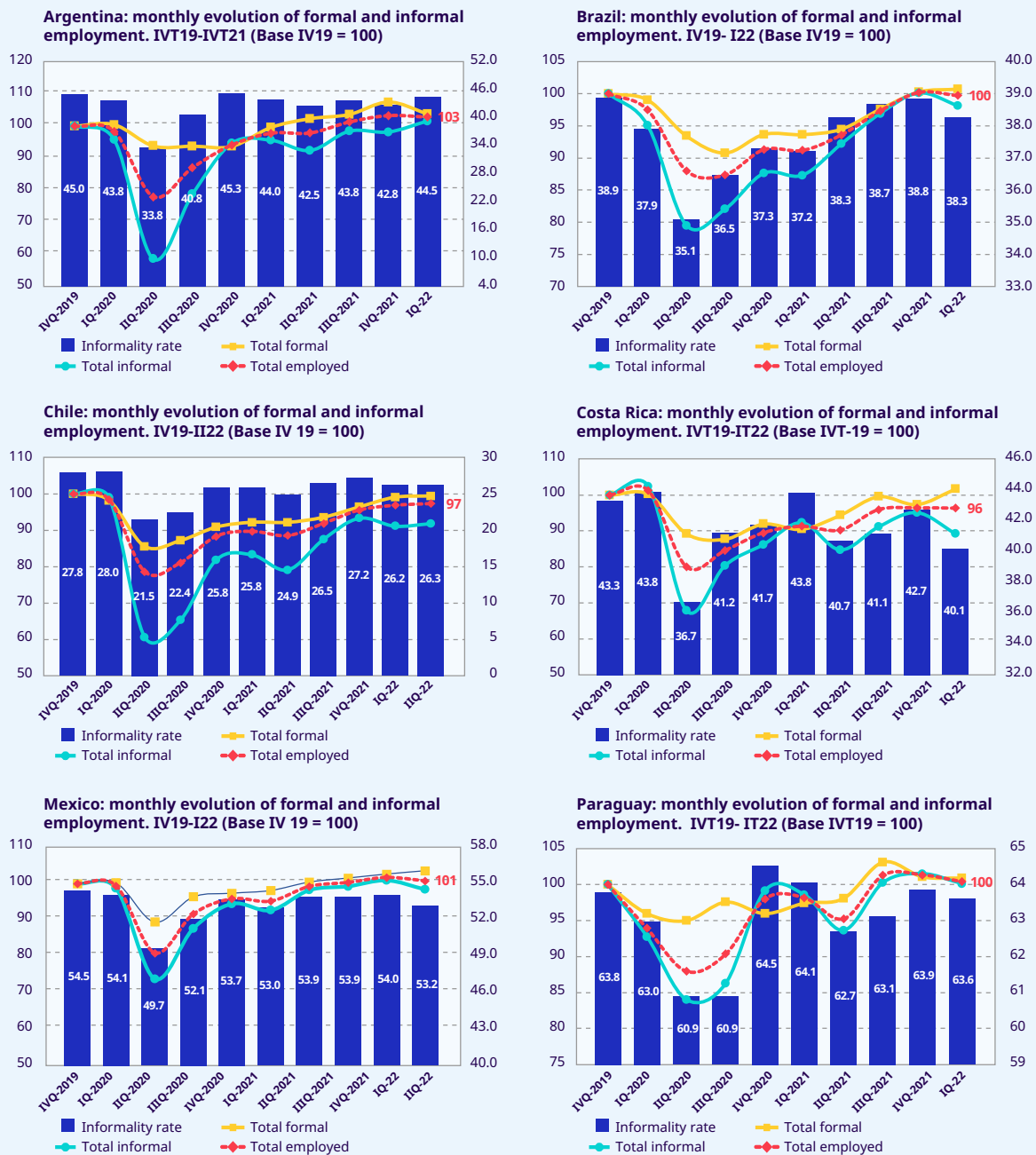
► **Figure 3.3.** Monthly Change of Formal Employment in Private Sector. Selected Latin American countries. January 2020-June 2022. Index 100=January 2020



Source: Own elaboration based on administrative records.

Encouragingly, however, in countries that have recovered pre-pandemic employment rates, or are very close to it, the informality rate is no higher than in 2019, despite the increasing path observed after the abrupt contraction of this indicator in the second quarter of 2020 (Figure 3.4). For example, in Argentina, the 44.5 per cent informality rate in the first quarter of 2022 was slightly lower than the 45 per cent rate in the fourth quarter of 2019. In Uruguay, the informality rate was 5 percentage points lower compared with this quarter and the second quarter of 2021. In the case of Brazil and Paraguay, the record for the first quarter of 2022 is slightly lower than at the end of 2019, while in Mexico the difference is somewhat larger. The exception to the regional picture is Peru, where formal jobs contracted more sharply than did informal ones, the informality rate is higher than that observed prior to the outbreak of the pandemic.

► **Figure 3.4.** Quarterly Change of Formal Employment, Informal Employment, Total Employment and Labour Informality Rate. Selected Latin American countries. Q4 2019- Q2 2022



► Continues...

Informal employment

2021

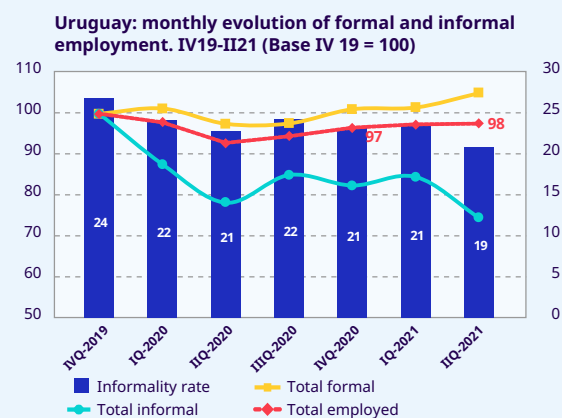
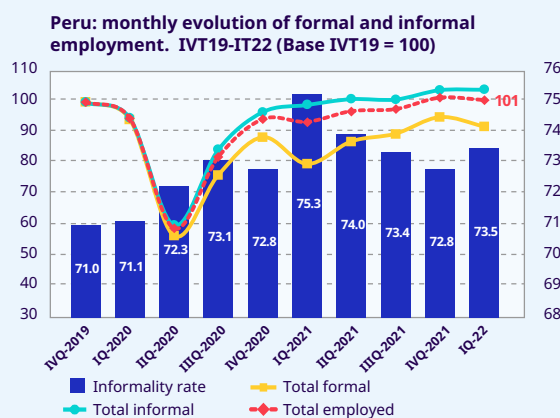
1 OF EVERY 2



employed persons in the region is in **informal conditions**.

The partial recovery of employment has been led by the **GROWTH OF INFORMAL EMPLOYMENT:**

Between **50** and **80%** of net job creation between III 2020 and I 2022.



Source: Own elaboration based on household and employment surveys.

However, despite the fact that employment recovery in the aforementioned countries was not accompanied by greater informality, the regional landscape continues to be very complex. On the one hand, the countries that still exhibit significant differences with respect to the volume of registered occupations in 2019 could experience a closing of this gap with higher informality rates than those observed in that year. Even more so considering that certain branches of activity with

a high incidence of informality still show significant lags in employment recovery. On the other hand, at the regional level (average of 11 countries) in the fourth quarter of 2021 this indicator was almost 50 per cent, close to the 2019 record. In other words, almost one out of every two workers in the region is informal.

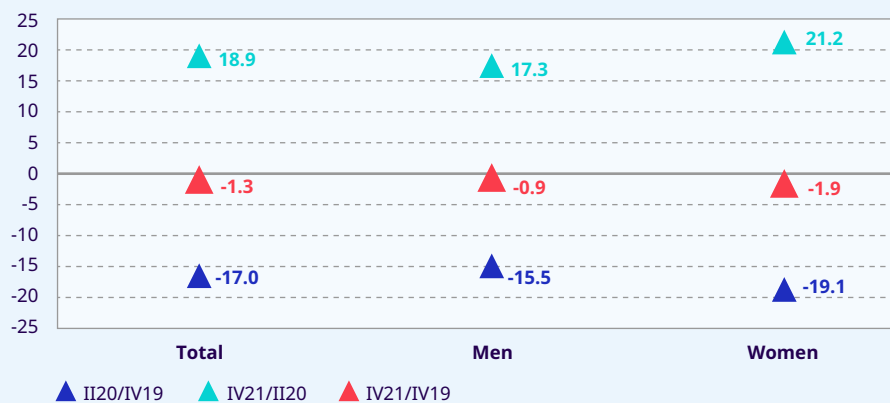
In addition, where the number of formal jobs created is not enough to intake the workforce that has not yet returned to work, the risk of the rate of labour informality increasing continues. This becomes more critical in the current context of high uncertainty and slowing economic growth. **Hence the importance of implementing or scaling up policies not only to sustain formal employment but also to support the creation of new formal jobs in the region.**

4. Labour Market Developments by Gender: Stronger Recovery among Women and Narrowing of Gaps⁷

4.1 Regional overview and heterogeneity among countries

As analysed in previous reports (ILO, 2020, 2022; Maurizio, 2021a, 2001b; ECLAC-ILO, 2021) the negative impacts of the crisis in the region have been significantly higher among women than among men. This has been expressed, among other indicators, in a sharper contraction in the female employment rate (19 per cent) than in male employment (15.5 per cent) between the fourth quarter of 2019 and the second quarter of 2020 (Figure 4.1).

► **Figure 4.1.** Change in Employment Rate by Sex. Latin America and the Caribbean (14 countries). Q4 2019- Q4 2021 (percentage)



Source: Own elaboration based on SIALC/ILO.

The most intense impact on women in the region is associated, on the one hand, with the greater presence of women in economic sectors strongly affected by the crisis, such as hotels and restaurants, and in other service activities and the household sector. On the other hand, more women are lured into informality in a context where, as mentioned above, activities slowed down as a result of the health measures which had a strong impact on informal workers. Informal workers also benefited less from employment support policies implemented in the different countries of the region.

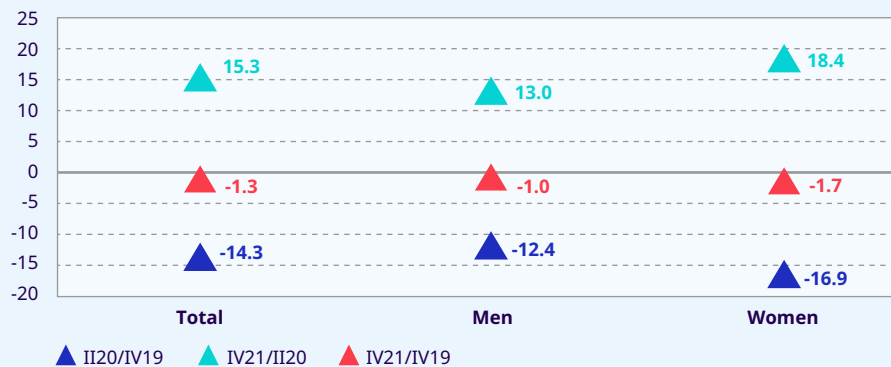
⁷ This section is based on Fernández (2022).

As was also mentioned in those studies, given the scarcity of employment alternatives in this critical context, job losses initially translated not only into transitions into unemployment but mostly into unprecedented levels of outflows from the workforce. Again, women were mostly affected by these flows. In relative terms, the fall in women's participation rate was 17 per cent, which compares with a 12.4 per cent decline in men's labour force participation (Figure 4.2).



Given the scarcity of employment alternatives in this critical context, job losses initially translated not only into transitions into unemployment but mostly into unprecedented levels of outflows from the workforce.

► **Figure 4.2.** Change in the Economic Participation Rate by Sex. Latin America and the Caribbean (14 countries). Q4 2019- Q4 2021 (percentage)

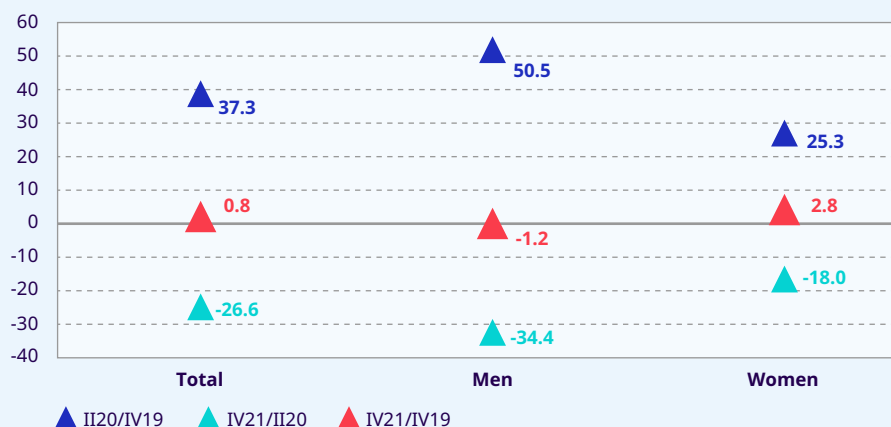


Source: Own elaboration based on SIALC/ILO.

In addition to the factors just mentioned, this was associated with the increasing difficulties of balancing paid work with family responsibilities in a context where schooling and care services were profoundly altered by health measures, namely social distancing and limited mobility.

Higher women workforce outflows meant that the stronger impact on women employment declines did not translate into stronger increases in the unemployment rate relative to men during the first half of 2020. Indeed, while between the fourth quarter of 2019 and the second quarter of 2020, the overall unemployment rate increased by 37 per cent, that of men rose by 50.5 per cent and that of women by 25.3 per cent (Figure 4.3).

► **Figure 4.3.** Change in Unemployment Rate by Sex. Latin America and the Caribbean (14 countries). Q4 2019- Q4 2021 (percentage)



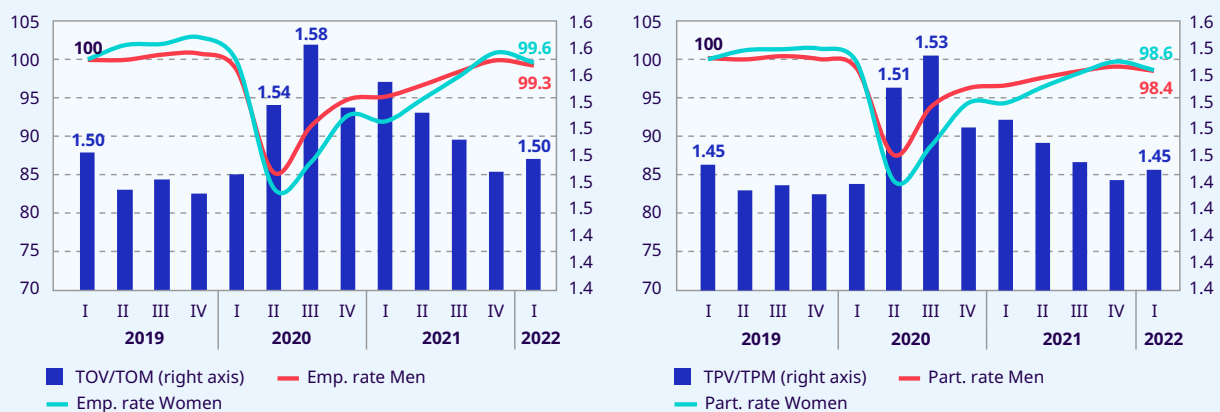
Source: Own elaboration based on SIALC/ILO.

Subsequently, **at the regional level, the recovery of women employment was more intense than that of men employment** (Figure 4.1): while for women the employment rate increased by 21 per cent between the second quarter of 2020 and the fourth quarter of 2021, for men the increase was 17 per cent. Similarly, **the recovery in labour supply for women was also stronger than for men** (18 and 13 per cent respectively, as shown in Figure 2). Meanwhile, the unemployment rate declined for both men and women, 34 per cent and 18 per cent, respectively.

By the end of 2021, this dynamic had not been sufficient to offset the higher job losses and the further reduction in women's labour supply in the first half of 2020. Thus, in the fourth quarter of 2021, women employment rate was 2 per cent lower than before the onset of the pandemic. This decline was double the one for men employment rate. The labour participation rate for women was 1.7 per cent lower than in the fourth quarter of 2019, and 1 per cent lower for men.

The picture changes when the analysis includes the first quarter of 2022 and compared with the same quarter in 2019: both the women and men employment rates are almost equal to those observed three years earlier. As a result, the gender gap in the first half of 2022 is similar to that observed at that time. The labour participation gap shows a similar situation (Figure 4.4).

► **Figure 4.4.** Employment and Participation Rates by Sex, and Gender Gap. Latin America and the Caribbean (14 countries). Q1 2019-Q1 2022. Index 100= I quarter 2019

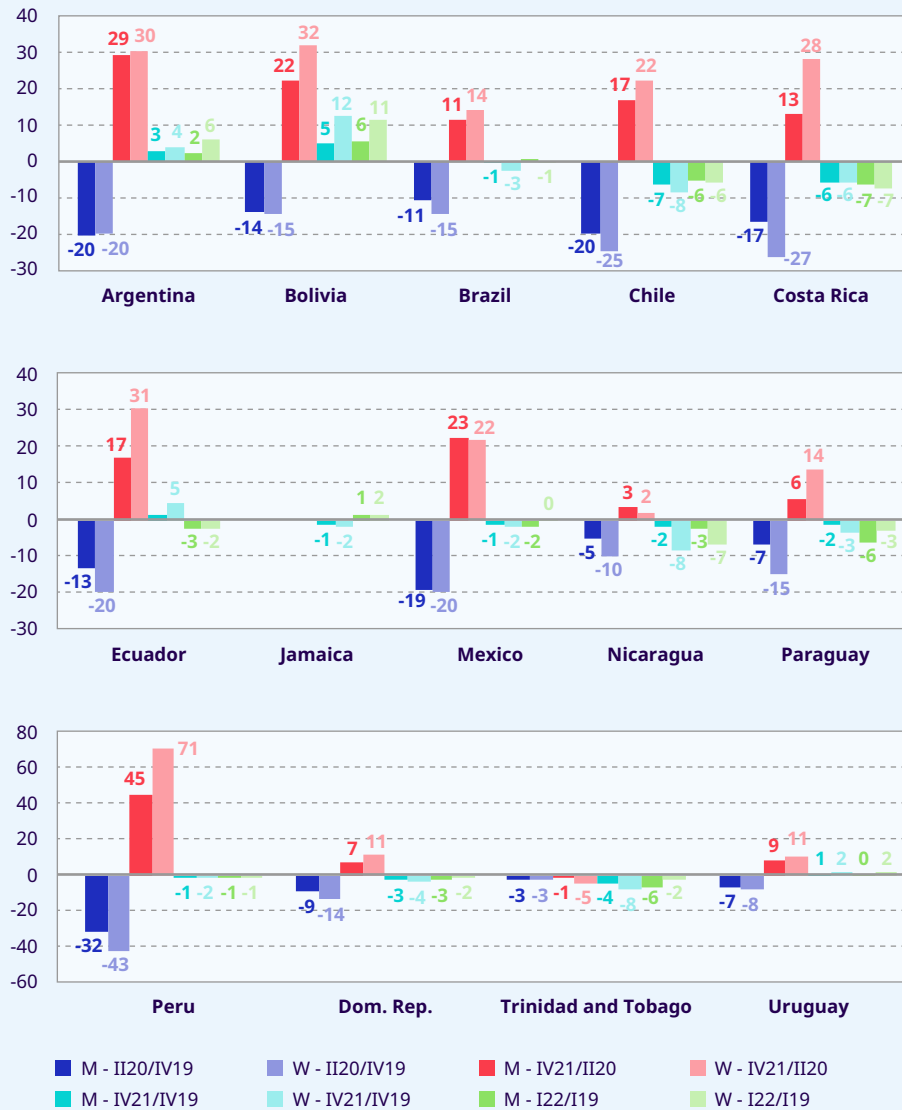


Source: Own elaboration based on SIALC/ILO.

As can be seen in Figure 4.5, **the pattern shown at the regional level by women employment vis-à-vis men employment is the same in most of the countries considered.** In particular, the largest initial contraction is found in almost all of them, except in Argentina, Bolivia, Mexico and, to a lesser extent, Uruguay. The difference in the fall between the two groups during the first half of 2020 reached 8, 10 or 11 percentage points in some countries.

After the worst of the crisis, recovery in almost all countries considered here was stronger for women employment than for men's, the only exceptions being Mexico - where the recovery was similar - and Nicaragua and Trinidad and Tobago - where women recovered at a slower pace. At the other end are Peru, Ecuador and Costa Rica, where the differences exceeded 10 percentage points in favour of women.

► **Figure 4.5. Change in Employment Rate by Sex. Selected Latin American and Caribbean countries. Q1 2019-Q1 2022 (percentage)**



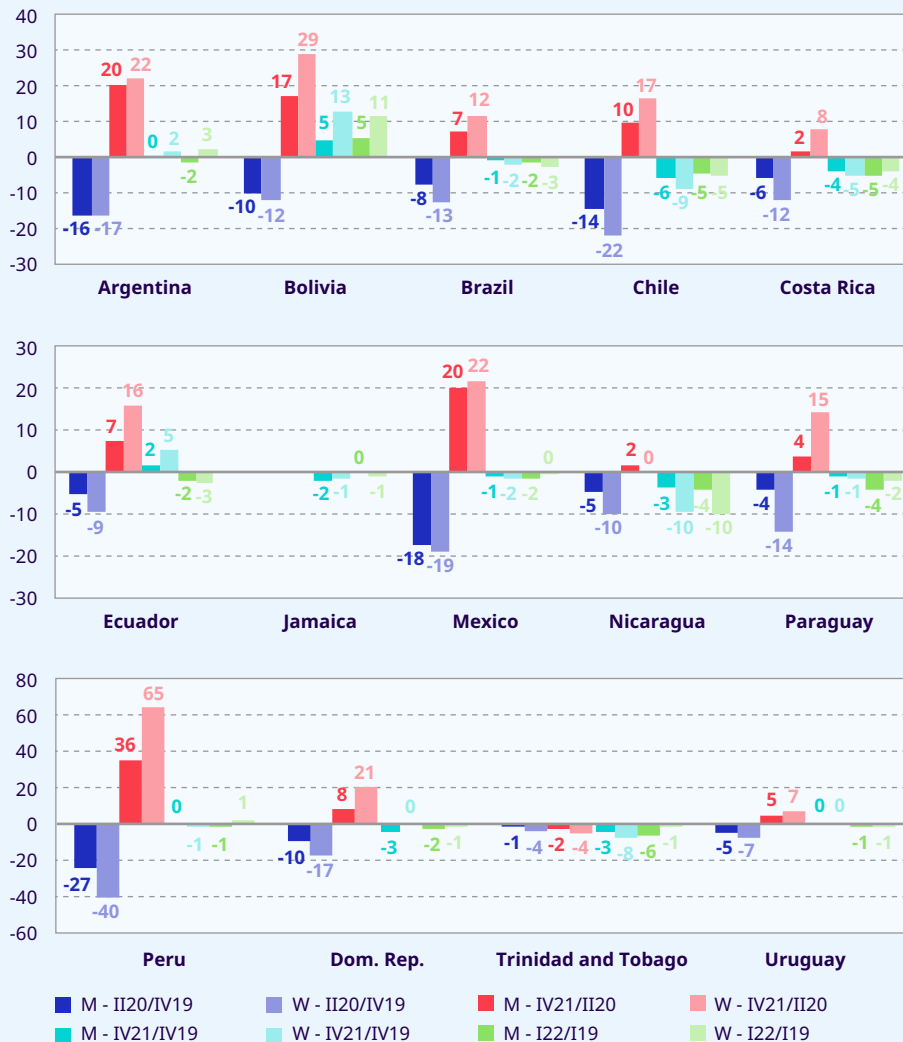
Source: Own elaboration based on SIALC/ILO.

However, when comparing the situation in the fourth quarter of 2021 with that of the same period of 2019, the outlook is mixed. On the one hand, women employment recovery was stronger in Argentina, Bolivia, Ecuador and Uruguay. On the other hand, the remaining 10 countries followed the regional pattern: partial recovery of employment with a higher volume of jobs to be recovered for women than for men.

The landscape improves when the analysis includes the first quarter of 2022: only 1 of the 14 countries under study shows women employment recovery that is less intense than for men; in 3 others countries women employment is lagging behind that of men but the difference is insignificant; in the remaining 10 countries the difference between women and men employment between the first quarter of this year and the same quarter of 2019 is more favourable for women than for men.

In terms of participation, for most countries this data is drawn by comparing 2022 and 2019. Like the case of employment, participation is more favourable for women or similar to that of men (Figure 4.6).

► **Figure 4.6.** Change in Participation Rate by Sex. Selected Latin American and Caribbean countries (14 countries). Q1 2019-Q1 2022 (percentage)



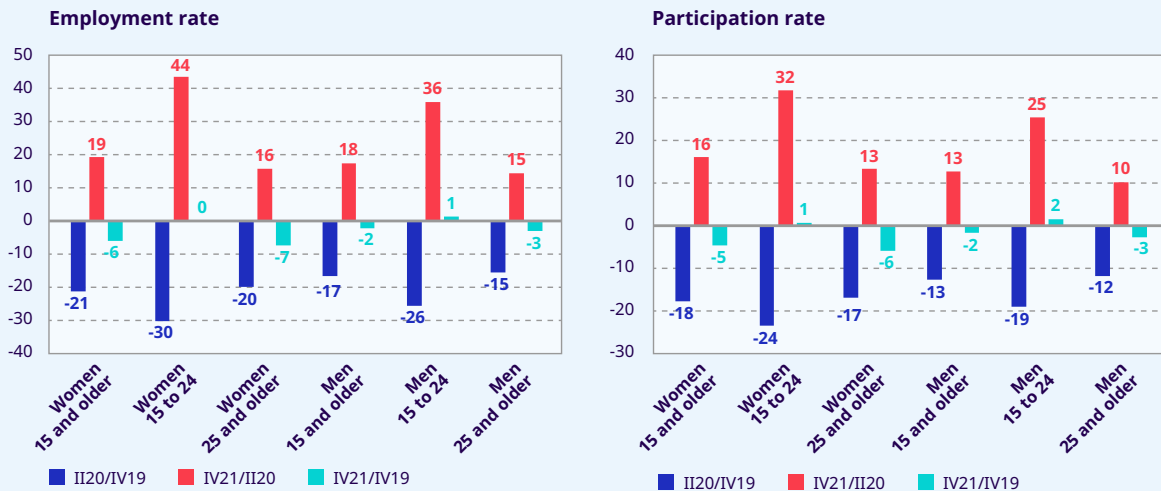
Source: Own elaboration based on SIALC/ILO.

4.2 Labour dynamics of women and men by age

When gender and age are combined, a great diversity of situations is observed, both in the contraction phase and in the partial recovery of labour indicators in the region.

In particular, **young women aged 15-24 suffered the largest fall in employment between 2019 and mid-2020 (30 per cent) followed by young men of the same age (26 per cent)**. Older women also showed a sharper contraction in the employment rate (20 per cent) compared to their male counterparts (15 per cent), while the gender gap was widest in this group. **The employment contraction among young women (the most affected group) was double that observed among adult men (the least affected group)** (Figure 4.7).

► **Figure 4.7.** Change in Employment and Participation Rates by Sex and Age. Latin America and the Caribbean (14 countries). Q4 2019- Q4 2021 (percentage)



Source: Own elaboration based on SIALC/ILO.

The recovery between mid-2020 and the end of 2021 shows symmetric movements to those previously observed. **Young women had the strongest recovery (44 per cent), leaving the employment rate at the same level as in the fourth quarter of 2019.** They are followed by men up to 24 years of age. They slightly exceed the pre-pandemic employment rate - by 1 per cent. In contrast, among women and men aged 25 and over, the recovery was more even, resulting in a larger loss for women, for whom the employment rate in mid-2021 was 7 per cent below that at the end of 2019. Among older men, by contrast, the net loss after the recovery was 3 per cent.

Thus, **it is women over the age of 24 who show the largest gaps in the employment rate compared to the pre-pandemic situation (7 per cent) and who account for the overall gap observed in women employment.**

The participation rate shows a similar picture. **Between 2019 and 2020, the largest fall in participation were among young women, followed by young men** (Figure 4.7). In addition to working, younger workers tend to be engaged in extra-work activities, such as studying. They are also workers who tend to have more precarious insertions and relatively low wages, which could be interpreted as a lower opportunity cost of leaving the occupation. When exiting occupations in a context of scarce reinsertion opportunities, it is possible that young people have opted to withdraw from the labour market, even if they were available to return to work if there was a demand. However, even within this age group, the contraction in female participation was 3 points higher than that of young men. In addition, these differences may be explained by the greater care responsibilities that these workers probably assumed in the context of the pandemic.

Among those aged 25 and over, the gap in the fall in participation between men and women widens, as women's exit from the workforce was 41 per cent higher than that of men (17 per cent and 12 per cent respectively).

In the recovery phase, it was young women who showed a greater response to re-entering the labour market than young men of the same age group. This allowed both groups to recover pre-pandemic values, somewhat higher in the case of men.

On the other hand, workers aged 25 and over did not return to these values. Within this group, the return to economic activity was also more intense for women, but the net loss of participation was greater for

Between 2019 and 2020, the largest fall in participation were among young women, followed by young men.

In addition to working, younger workers tend to be engaged in extra-work activities, such as studying.

They are also workers who tend to have more precarious insertions and relatively low wages, which could be interpreted as a lower opportunity cost of leaving the occupation.



women than for men (6 per cent and 3 per cent, respectively). This group includes people who were at or close to retirement age, among whom the pandemic and the crisis may have brought forward their definitive exit from the labour market.

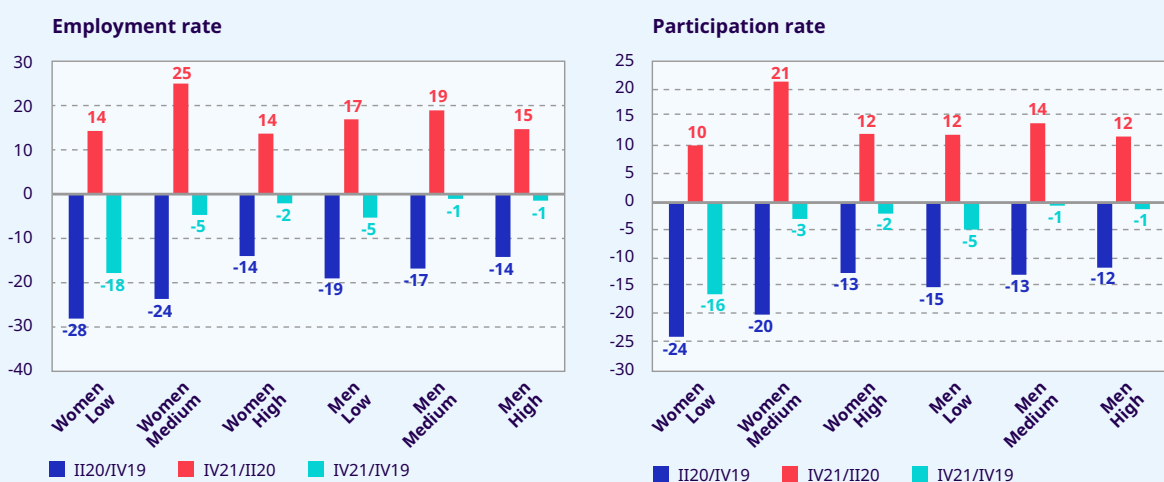
Hence, it can be seen that age has been an important factor in explaining the divergences in employment and economic participation within each gender. In both groups, men and women, the gaps in both indicators with the pre-pandemic situation are mainly explained by what happened among people over 24 years of age. Likewise, it is adult women who have lagged furthest behind in the recovery of labour opportunities and employment in the region.

► In the recovery phase, it was young women who showed a greater response to re-entering the labour market than young men of the same age group. This allowed both groups to recover pre-pandemic values, somewhat higher in the case of men.

4.3 Labour dynamics of women and men by education

Educational attainment is another relevant dimension. In the contraction phase, declines were greater for groups with lower levels of education, both among men and women. Likewise, women in the low and medium levels of education experienced greater contractions in employment than their male counterparts, while there are no significant differences in the fall in employment among those with higher levels of education. **Women with lower levels of education experienced employment contraction that was double that of men with higher levels of qualification.**

► **Figure 4.8.** Change in the Employment and Participation Rate by Sex and Education. Latin America and the Caribbean. Q4 2019- Q4 2021 (percentage)



Source: Own elaboration based on SIALC/ILO.



By the end of 2021 women with lower educational attainment were significantly further away from the 2019 employment level (-18 per cent) than any other group of employed persons.

In the recovery phase, the increase in the employment rate was higher among mid-educated men and women, with higher employment rates among the latter. In contrast, women with lower qualifications - who had been the hardest hit initially - were among the groups with the least intense recovery.

When the whole period is considered, the negative correlation between educational attainment and the pre-pandemic gap is evident among both men and women. However, this association is stronger among women. In particular, **women with lower educational attainment were significantly further away from the 2019 employment level (-18 per cent) than any other group of employed persons by the end of 2021. At the other end of the spectrum, the employment rate of men with medium and high levels of education was only 1 per cent below that year's level.**

The participation rate shows a similar situation: the fall between 2019 and the first half of 2020 behaves inversely with the accumulation of years of education, so that workers with the lowest educational attainment are those who dropped out of the labour market the most.

However, two important aspects stand out: on the one hand, the differences in the fall in the participation rate of women with different levels of education are greater than those observed among men, and on the other hand, within the groups made up of people with the same level of qualification, it is always women who show a greater fall in the participation rate. This marks a greater heterogeneity among women, which may be associated with different forms of labour market insertion or different levels of responsibility for household tasks. As a consequence, **women with lower levels of education attainment were those who withdrew the most from the labour force, while men with higher levels of education were at the other end** (Figure 8).

The recovery of the participation rate in 2021, on the other hand, did not behave in the same rate as the contraction. **The strongest re-entrants were mid-educated women, whose participation rate increased by 21 per cent. However, low-educated women, who contracted the most in labour supply in the first half of 2020, showed the least intense recovery, with a 10 per cent increase in the participation rate.**

As a result, the ultimate effect on less educated women was a participation rate 16 per cent lower than that observed prior to the start of the pandemic. Employment recovery among medium and highly educated women was also partial, but participation rates in 2021 were closer to those of two years earlier: 3 and 2 per cent below respectively (Figure 4.8).

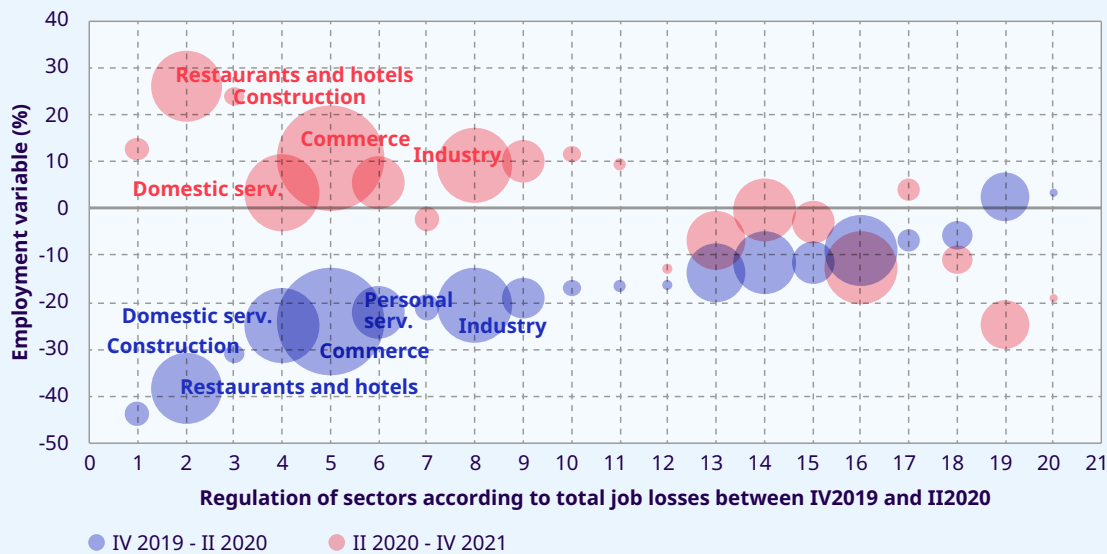
Recovery in men’s participation was more homogeneous. Among those with medium and high educational attainment, the net loss in the participation rate was 1 per cent. Among those with lower educational attainment, on the other hand, the post-crisis participation rate remained 5 per cent below that of 2019.

4.4 Labour dynamics of women and men by branch of activity

As has been analysed in previous reports (ILO, 2020, 2022), employment dynamics have also been very dissimilar by branch of activity. The sectors that lost the most employment between the end of 2019 and mid-2020 were those engaged activities related to entertainment, tourism, personal services, construction, trade, transport and domestic service (Figure 4.9). Among these sectors, some show high female participation such as domestic service (92 per cent), hotels and restaurants (39 per cent) and other personal services (57 per cent). In contrast, construction, which is the activity with the third largest drop in employment, is the most male-dominated branch, where 96 per cent are men, followed by transportation (90 per cent).

However, when considering the six branches of activity with the largest contraction in total employment, they accounted for 49 per cent of female employment and 40 per cent of men employment.

► **Figure 4.9.** Change in Employment by Branch of Activity and Sex. Latin America and the Caribbean (14 countries). Q4 2019-Q4 2021 (percentage)*



Source: Own elaboration based on SIALC/ILO.
* The size of the circles shows the weight of the sector in total women employment.

The greater job loss of women was not only due to the sectoral composition of employment. In addition, within some of the most affected branches, women experienced an even greater contraction than men. For example, in the case of trade, women lost 30.6 per cent of occupations, while men lost 18.5 per cent. Together with domestic employment and hotel and restaurant activities, these are the branches with the greatest impact on the total job loss of women at the height of the crisis.

Moreover, considering the characteristics of the occupations in these sectors, what happened in the most affected sectors accounts, at least in part, for the greater impact of the crisis among younger and less educated women.

In the employment recovery phase, there has been strong heterogeneity at the sectoral level. However, it is worth noting that certain sectors that had been strongly affected in the previous phase recorded the strongest recoveries. In fact, among the branches with the strongest recovery and which account for a significant volume of employment are: hotels and restaurants (accounting for about 10 per cent of women employment and 5 per cent of men employment), construction (accounting for 12 per cent of men employment) and commerce (accounting for 22 per cent of women employment and 18 per cent of men employment). When the nine sectors with the strongest recovery are considered, they account for about 53 per cent of women employment and only slightly more, 56 per cent, of men employment. Thus, sectoral performance has been one of the drivers of the recovery in total women employment.

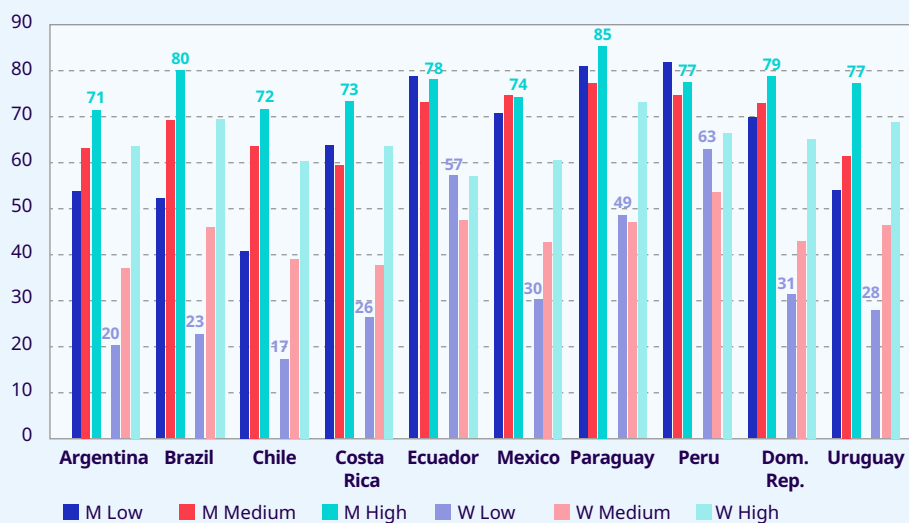
However, at the other end, **domestic service stands out among the branches that showed the least dynamism during this phase. This contributes, at least partially, to explaining why the recovery in the employment of women with lower levels of education has lagged significantly behind that of other groups of workers.**

4.5 Existence of significant gaps

In the first quarter of 2022, the regional women participation rate was 51 per cent, 23 percentage points lower than that of men (74 per cent). The employment rate for women was 46.2 per cent, 23 percentage points lower than for men (69.1 per cent). The unemployment rate for women was 9.6 per cent, while for men it was 6.3 per cent.

When comparing the employment rates that arise from the combination of gender and education level, extremely high gaps are observed between men and women with the same level of qualification, but also within each gender between groups with different levels of education. Both dimensions feed back into each other, with the result that **the employment rate of men with a university level is between 20 and 60 percentage points higher (depending on the country) than that of women with a low level of education.**

► **Figure 4.10.** Employment Rate by Sex and Education. Selected Latin American and Caribbean countries (14 countries). Q4 2021



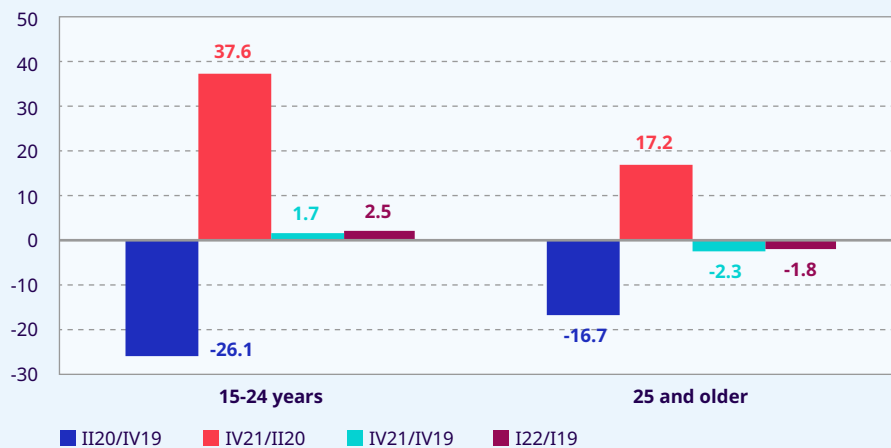
Source: Own elaboration based on SIALC/ILO.

5. Youth Employment Recovery and the Existence of Structural Deficits

As shown in the previous section, young women and young men were the groups with the largest proportional employment losses at the onset of the pandemic. While in terms of percentage points, both young people and adults experienced similar contractions (a fall of around 11 percentage points), in relative terms this impacted more strongly young people as they had a significantly lower employment rate (Figure 5.1). This more unfavourable behaviour stems both from the higher degree of informality among those employed under 25 and the worse performance of young people in all occupations during the first half of 2020.

However, **during the recovery phase young people returned to employment faster than adults.** Moreover, the net balance is more favourable to youth than to adults. The regional employment rate for youth in the fourth quarter of 2021 was 1.7 per cent higher than in the same period of 2019, while that for adults fell by just over 2 per cent. When comparing the first quarter of 2022 and the same quarter of 2019, the picture is similar: the employment rate of young people was 2.5 per cent (+ 1 percentage point) above pre-pandemic values while that of adults was around 2 per cent below (-1.1 percentage points).

► **Figure 5.1.** Change in Employment Rate by Age. Latin America and the Caribbean (10 countries). Q1 2019-Q1 2022 (percentage)

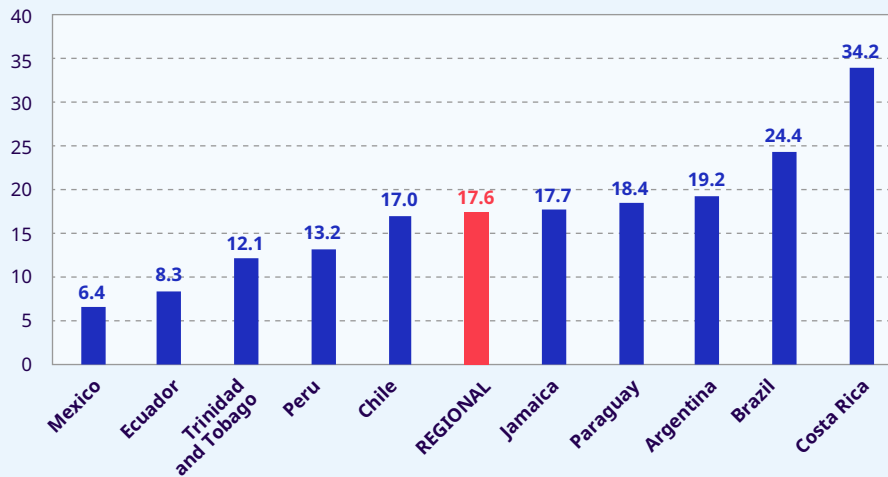


Source: Own elaboration based on SIALC/ILO.

When analysing the recovery of youth and adult employment at the country level, the picture is patchy. **Five of the 10 countries with information available as of the first quarter of 2022 show a net percentage balance in favour of the former group, while the other half show the opposite situation.** Within the first set of countries are Brazil and Mexico, which, due to their size, have a significant influence on regional averages. Ecuador, Peru and Jamaica are also part of this group. In 4 of the remaining 5 countries (Chile, Costa Rica, Paraguay, and Trinidad and Tobago) both youth and adult employment rates were lower than those observed in the first quarter of 2019 but where the difference is more marked among youth. Finally, in Argentina, both groups showed a higher employment rate at the beginning of 2022 compared to three previous years, but the difference is larger among adults.

The regional employment rate (10 countries) for youth in the first quarter of 2022 was 41 per cent, almost 21 percentage points lower than for adults (61.7 per cent). Also, although the average duration of youth unemployment rate has been declining after peaking at 24 per cent in mid-2020, it was still very high at 17.6 per cent in the first quarter of 2022. But even some countries in the region show significantly higher rates than this, reaching values of 24 / 34 per cent (Figure 5.2).

► **Figure 5.2.** Unemployment Rate among Young People Aged Under 15-24. Selected Latin American and Caribbean countries (10 countries). Q1 2022



Source: Own elaboration based on SIALC/ILO.

Moreover, the reduction of the regional youth unemployment rate by 2.8 percentage points (from 20.4 to 17.6 per cent) between the first quarter of 2019 and the same period in 2022 is the result of what happened in half of the 10 countries. These are: Argentina (-8 percentage points), Brazil (-4.5 percentage points), Ecuador (-1.7 percentage points), Mexico (-0.5 percentage points) and Jamaica (-4 percentage points). Among the remaining countries, very significant increases were observed, for example, 4 percentage points in Costa Rica or almost 3 percentage points in Paraguay and Trinidad and Tobago.

Within the first group of countries, in turn, the reduction in unemployment was accompanied by a stagnation or fall in employment, so that this behaviour is due to the lower participation of young people.

The informality rate among young people was 63 per cent in the fourth quarter of 2021 (11 countries), significantly higher than the 47.6 per cent rate among adults.

In addition, the historically greater difficulties experienced by young people in the region's labour markets continue. Indeed, they face greater labour intermittency, which is partly explained by the intense inflows and outflows of the workforce. Greater occupational instability, in turn, is associated with their greater prevalence in informal, precarious, low-skilled activities. For adolescents who enter the labour market early and, in general, for young people with little work experience and less developed work skills, the high occupational turnover hinders the possibility of accumulating specific qualifications, thus hindering their future employment path. In fact, less experience reduces their chances of getting a job, especially in contexts of low labour demand, and increases their chances of being dismissed. This situation may be accompanied by an increase in the discouragement effect which results in lower incentives both to look for a job and to start or continue their studies.

These challenges can be enhanced by technological transformations. As noted in ILO (2022), while it might be thought that the generation digital divide puts young people at an advantage in terms of their ability to adapt to the digital skills demands of a labour market that increasingly incorporates the intensive use of information and communication technologies, the employment outcomes do not necessarily bear this out. Moreover, the pandemic highlighted the digital divide that exists between regions, countries and within countries among young people with different education attainment, qualification and socio-economic levels, as well as among young people living in different areas. For example, the risk of automation is higher for jobs taken by young people with low levels of education than for jobs taken by those with university education. Likewise, among the occupations with the highest

risk of automation are those that employ the youngest people, which are in low-dynamic and low-productivity sectors.

This is why, as digital skills are increasingly demanded by the labour market, vocational training becomes essential to reduce the digital and skills gap among young people, as well as to ensure their employability and access to decent jobs.

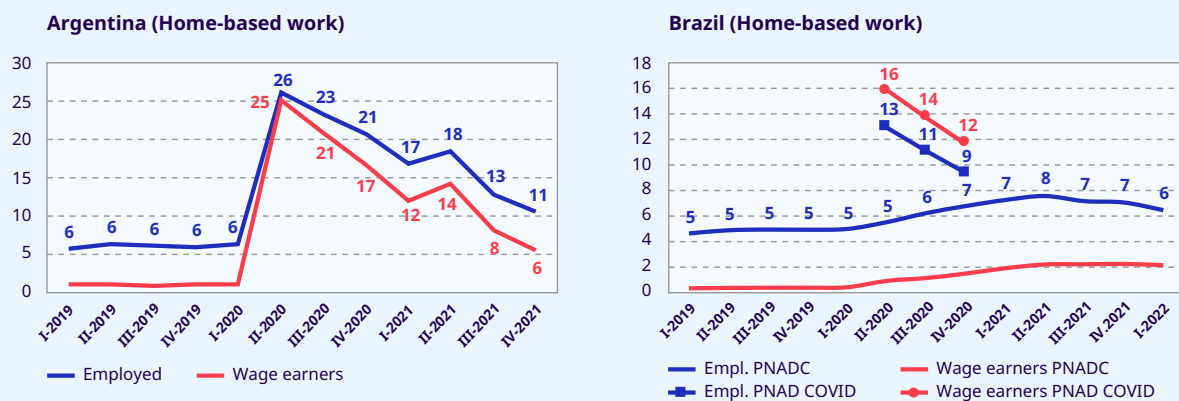
Likewise, policies aimed at generating and providing access to decent jobs and training in digital and cross-cutting skills must take gender inequalities into account if they are to respond to the challenges faced by young women in particular. The pandemic has further highlighted the central role of young women in providing unpaid care. Moreover, it is they who have been left behind in the employment recovery. However, policy responses have not always taken into account the specific challenges they have faced and continue to face. In this sense, it is essential to formulate gender-sensitive vocational training policies, as well as linking them with other active labour market and social protection policies that also include this perspective.

6. Teleworking: More than Two Years into the Pandemic, Incidence Remains Higher than in 2019

Working from home and, in particular, teleworking, have been the most intensively implemented or used work arrangements during the pandemic. In the face of confinement and social distancing measures, home-based work allowed some groups of workers to continue their tasks and some companies to continue their operations, at least partially. Most of the activities that carried out from home have been based on information and communication technologies (ICTs), which led to a significant increase in teleworking.⁸

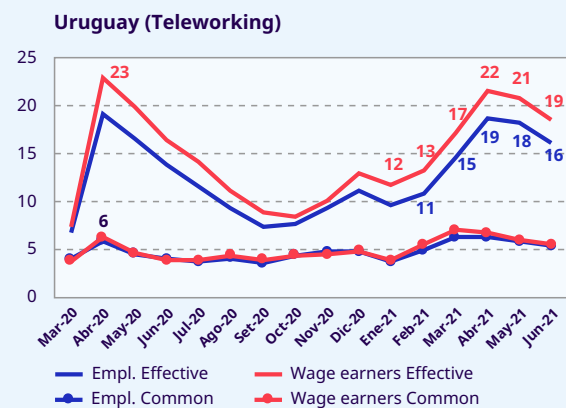
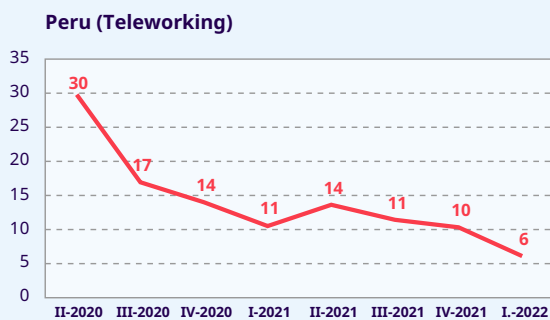
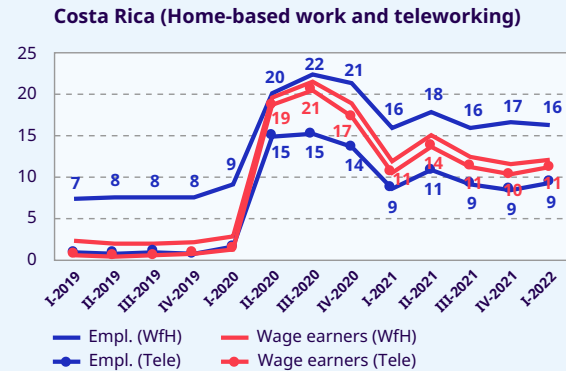
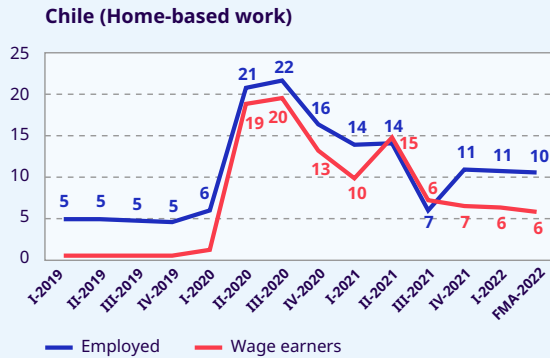
Figure 6.1 shows the evolution from the beginning of 2019 to the end of 2021/beginning of 2022 of home-based work for the countries in the region for which information is available, both for all employed persons and specifically for wage earners. As can be seen there, since the outbreak of the pandemic in the region, there has been a sharp increase in the proportion of employed persons working from home. The increase among wage earners was even more pronounced.

► **Figure 6.1.** Change of Home-based Work and Teleworking. Selected Latin American countries



► Continues...

⁸ For details of the concepts used and the identification of this form of employment in the employment surveys used, see ILO (2021).



Source: Own elaboration based on household surveys.

After the peaks in the second and third quarter of 2020, a downward trend was observed since the second half of that year, this is associated with the partial release of confinement measures and thus with increased possibilities of returning to face-to-face work.

However, this trend was interrupted in the second quarter of 2021 (April in the case of Uruguay) when there was a spike in the incidence of this modality⁹ reflecting the new waves of contagion in the region and the measures adopted to contain it.

Subsequently, from the middle of that year onwards, the downward trend in the proportion of workers, and in particular wage earners, working from home resumed. Again, this accompanied the easing of measures restricting people's physical mobility. Costa Rica is an exception as this share has remained relatively stable since the second half of 2021.

However, by the end of that year or early 2022, especially for wage earners, the share of remote work was still higher than the values recorded before the outbreak of the pandemic in the region.

However, as noted in previous reports (ILO, 2022; Maurizio, 2021c), the incidence of this modality has not been homogeneous among different groups of workers. On the contrary, it has been the formal, higher-skilled, female, middle-aged workers in professional, technical and managerial occupations who have moved more intensively from face-to-face work to teleworking. This characteristic has persisted throughout the period since the outbreak of the pandemic.

Finally, with the acceleration of digitalisation processes and the use of information technologies, it is plausible to expect that hybrid forms of face-to-face and teleworking will become more common than

⁹ In the case of Uruguay, the increase will take place a few months earlier, in February 2021.

in the past. It is therefore necessary to ensure the protection of workers' labour rights, health and well-being under this modality, and to identify good practices that allow companies to take advantage of it productively.

7. The Evolution of Incomes and the Distributive Impacts

7.1 The loss of purchasing power of average wages and minimum wages in the face of accelerating inflation

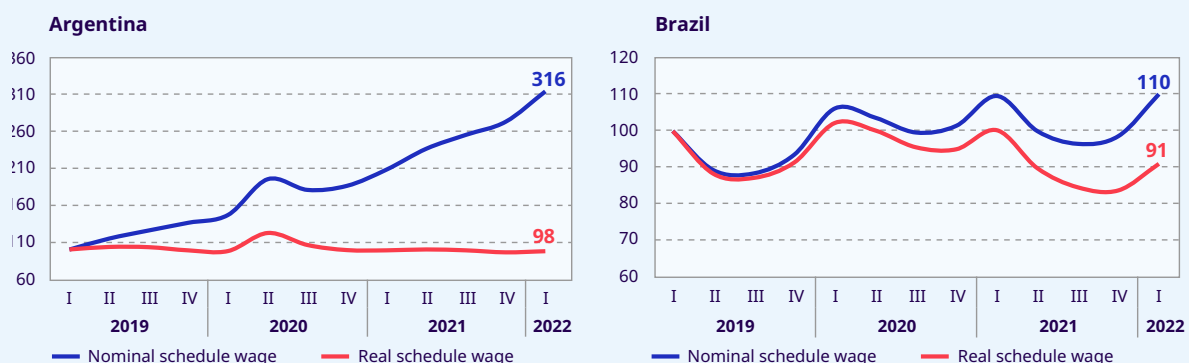
The real income of the main occupation during the pandemic behaved in a way that, a priori, would not be expected in the context of a crisis such as the one experienced in the region: in the initial phase of the fall in employment, it showed positive variations in a significant number of countries. However, this is explained by the strong changes in the composition of employment that have already been analysed. Indeed, comparisons between average labour income in the period after the onset of the pandemic and those of previous months underestimate the fall because more low-paid workers lost their jobs.

The composition effect also affected average figures in the recovery phase, but in an opposite direction in that, as noted, it was informal employment that grew most strongly, especially in the first months after the most significant impact of the crisis. In several countries, this led to falls (or smaller increases) in average wages due to the entry of relatively low-paid workers.

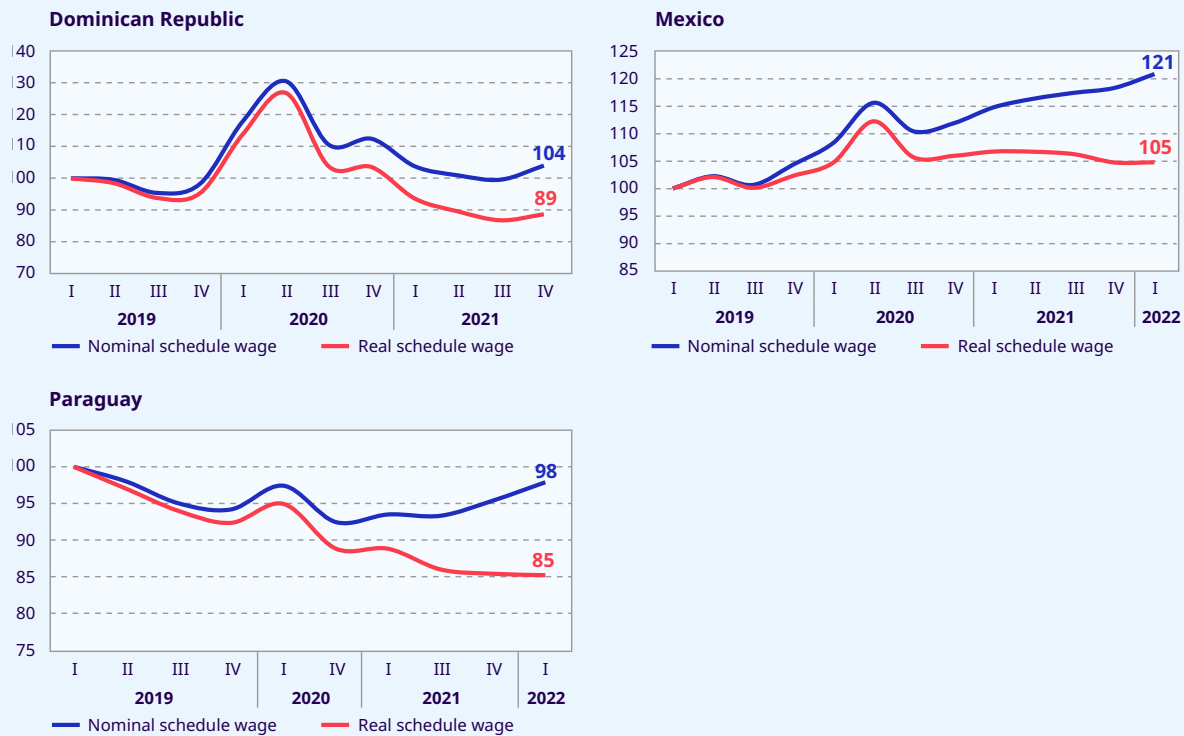
In parallel, the outlook for real labour income recovery during 2021 became increasingly complex due to accelerating inflation and its negative impact on the purchasing power of wages. At the regional level, by 2021, average real wages in Latin America and the Caribbean (average of 12 countries) had lost 6.8 per cent of the value they had in 2019 (ECLAC-ILO, 2022).

As an example, Figure 7.1 shows how the gap between nominal and real average values has been widening significantly for a group of countries listed in descending order of the level of inflation they each experienced. It also shows the increase in average wages in the first half of 2020 as a result of higher job losses among lower-paid workers (composition effect).

► **Figure 7.1.** Changes of Nominal and Real Average Hourly Wages. Selected Latin American countries. Index 100= I 2019. Q1 2019 - Q1 2022



► Continues...



Source: Own elaboration based on SIALC/ILO.

In Chile, the nominal wage index published by the National Statistics Office (NSO) showed an increase of 10 per cent between June 2021 and June 2022; however, this did not offset inflation in that period, so that the index in real terms fell by 2.2 per cent. The year-on-year fall in the purchasing power of wages has been observed since October 2021; however, it became more significant since the beginning of this year.

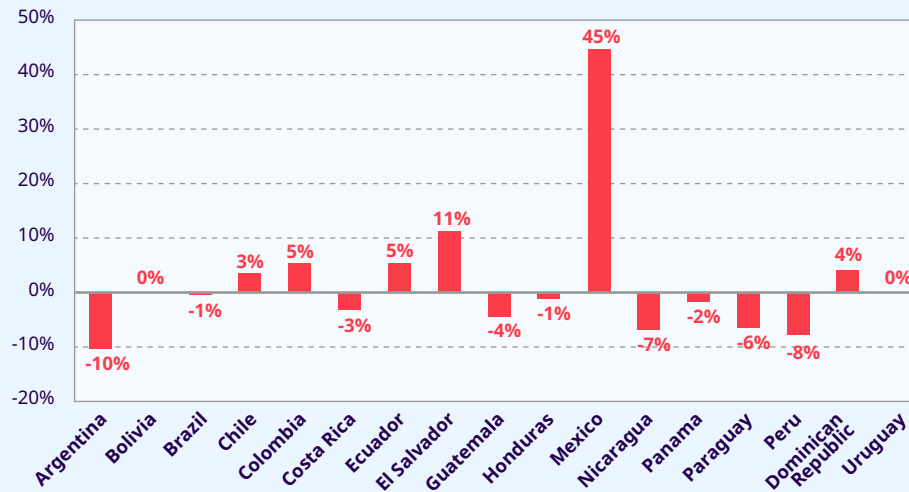
In Argentina, the average wage index (which keeps the composition of employment fixed) published by the National Institute of Statistics and Census (INDEC) had accumulated an annual nominal increase of 63.6 per cent as of May 2022. In the same period, inflation was 61.2 per cent, so there was a small real increase of 1.5 per cent. However, the wage index specifically corresponding to informal wage earners in the private sector had experienced a nominal increase of 53 per cent, which implied a real contraction of slightly more than 5 per cent.

The acceleration of inflation also negatively affected the evolution of real minimum wages in the region. According to ECLAC-ILO (2022), between 2020 and 2021, this was reflected both in the number of countries that recorded declines in the purchasing power of wages (10 out of 17 countries) and in the magnitude of these declines.

During the first half of 2022, real increases were recorded in 8 out of 17 countries in the region. Also, as shown in Figure 7.2, in the vast majority of these countries the real value of the minimum wage in the first half of 2022 was lower - in some cases significantly - than in the first half of 2019.¹⁰

10 Mexico started a recovery process of the real value of the minimum wage a few years ago.

► Figure 7.2. Percentage Change in the Real Minimum Wage between Q1 2019 and Q1 2022



Source: Own elaboration based on SIALC/ILO based on official information from countries.

7.2 Changes of total labour income

When we consider the behaviour of employment and the purchasing power of individual labour income together, we can assess the evolution of aggregate per capita labour income for all employed persons (including those who did not even work an hour).¹¹ As expected, **between the fourth quarter of 2019 and the second quarter of the following year this indicator declined in all the countries included in Table 7.1. The magnitude of these shifts, which occurred over a period of about two to three months, indicates the depth of the crisis associated with the pandemic.**

► Table 7.1. Change in per Capita Labour Income. Selected Latin American countries. Q4 2019- Q1 2022 (percentage)

	Contractionary phase	Recovery phase	Net change
Argentina	-21.4	27.8	0.4
Brazil	-7.5	-1.4	-8.8
Costa Rica	-23.0	12.7	-13.2
Mexico	-21.7	38.3	8.3
Paraguay	-5.1	-5.1	-9.9
Peru	-65.0	139.6	-16.2

Source: Own elaboration based on household and employment surveys.

¹¹ This indicator was constructed as the sum of the labour income of household members with valid income divided by the total number of members in those households. This indicator had to be computed so that a comparable analysis could be made for 2019 since there was an increase of no response at household level in 2020.

In each of these countries, there were sharp contractions in total earnings from both formal and informal jobs. However, consistent with what was previously mentioned regarding the behaviour of employment in each occupational category, the contraction between the fourth quarter of 2019 and the second quarter of 2020 was substantially higher in the latter group than in the former.

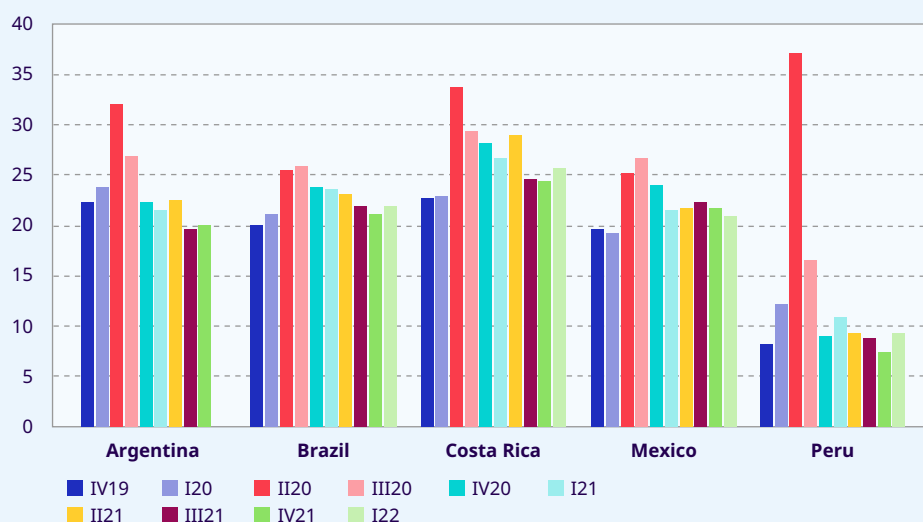
The subsequent recovery in employment implied increases (or slower declines) in aggregate per capita labour income. The stronger growth in total earnings from informal employment compared to formal employment (recorded in almost all countries) reflects the fact, as mentioned, that the recovery in total employment was driven by the former group of occupations.

Despite this, **total labour income by the end of 2021/beginning of 2022 was still, in most of these countries, below the total labour income generated by the end of 2019.**

In addition, Figure 7.3 shows the sharp increase in the proportion of households with no income from work, especially in the second quarter of 2020. Prior to the pandemic, around 20 per cent of households in the countries considered here (except Peru) had no labour income. In most of them, the sources of income were allowances or pensions and money transfers. In the second quarter of 2020, the proportion of households with no labour income rose by 6 to 30 percentage points in these countries, reflecting massive job losses in the most critical months of the pandemic.

Subsequently, as employment increased, these proportions declined, with some fluctuations. However, **in the fourth quarter of 2021, the percentage of households with no labour income exceeded those recorded before the start of the pandemic in all countries except Argentina and Peru. Furthermore, none of the four countries with information as of the first quarter of 2022 had reversed this situation.** This reflects both the aforementioned insufficient recovery in employment and the contraction in real labour income.

► **Figure 7.3.** Proportion of Households with No Labour Income. Selected Latin American countries. Q4 2019- Q1 2022



Source: Own elaboration based on household and employment surveys.

7.3 The unequalising impacts of the labour market and the equalising role of cash transfer policies

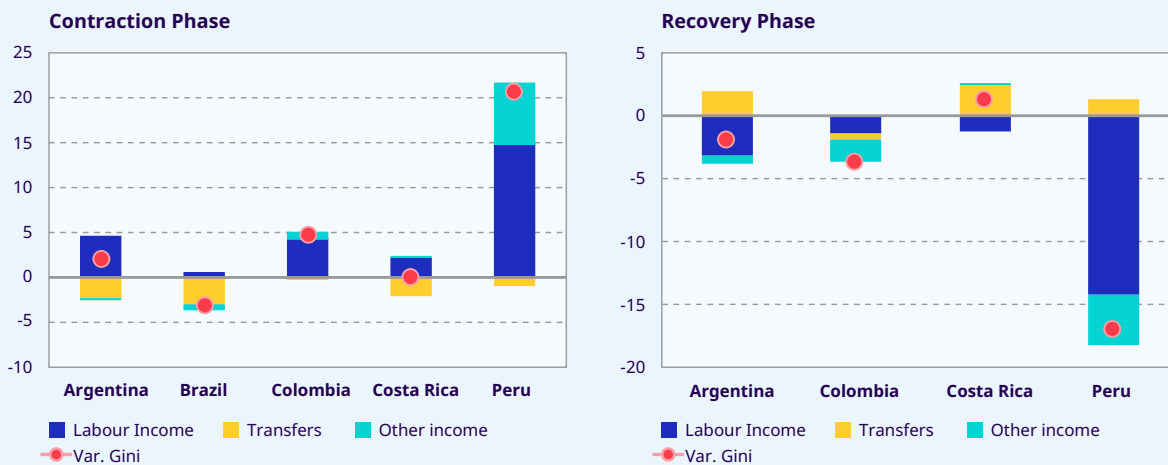
The dynamics of labour markets and household incomes have been accompanied by significant distribution changes in most countries in the region. In many of them, inequality in per capita household income increased - in some of them significantly - during the first phase of the crisis. After the peaks

recorded in the second quarter of 2020, a reduction in inequality levels has been observed. However, in some of these countries this positive performance did not offset the initial worsening.

The evolution of household income inequality, in turn, has been the net result of different behaviours of its several sources. In particular, as Figure 7.4 shows, **the labour market during the contraction phase of this crisis was highly unequal**. This is largely associated with the greater contraction of informal and low-skilled jobs, which are located at the lower end of the household income distribution. **However, the public transfer policies implemented, especially during 2020, aimed primarily at households in vulnerable situations, made it possible to reduce (or reverse) the negative impact of employment contraction and labour income.**

This picture changes, however, in the recovery phase. Employment growth, especially informal jobs, allowed a significant number of households at the bottom to increase their labour income, which resulted in a positive contribution to reduce total inequality. However, the progressive withdrawal of transfer policies resulted in this source becoming an unequal or less equalising factor than in the previous phase.

► **Figure 7.4.** Decomposition of the Gini Index of Household Income by Income Sources. Selected Latin American countries*



Source: Own elaboration based on household surveys.

* A positive value for a source of income means that it contributed to an increase in the value of the Gini index and thus in inequality. A negative value indicates the opposite. The value in each column indicates the percentage point change for each source compared to the total change in the Gini index, also expressed in percentage points, shown in red circles.¹²

These results are particularly relevant given that levels of inequality are still higher in many of the region's countries than they were before the pandemic, in a region where inequality is one of its most salient characteristics.

12 For example, in Argentina, the 2 percentage point increase in the Gini index in the first phase is the net result of a 4.4 percentage point increase associated with the behaviour of labour income and a 2.4 percentage point drop associated with public transfers and other non-labour income.

8. Final Remarks

The world, and Latin America and the Caribbean in particular, are going through multiple crises where, in the context of partial recovery from the impacts of the pandemic, new conditions are added to the path of economic recovery.

The significant slowdown in growth in 2022 has negatively impacted the speed of new job creation where, regional employment levels are very close to 2019 levels albeit not all those who withdrew at the height of the pandemic have yet returned to the labour market. This may put upward pressure on the unemployment rate.

These processes have been accompanied, in turn, by strong acceleration in inflation. Initially this was driven by rising input and transport costs in the early phases of economic recovery. Russia's invasion of Ukraine further aggravated the inflationary scenario and, with it, the lag of nominal wage dynamics behind the pace of price increases.

The loss of purchasing power of labour income gives rise to the so-called "working poor phenomenon", which means that people can live in poverty even if they have a job, albeit a formal job. Although this is not new in the region, mainly associated with high levels of labour informality, in this context it is more prevalent. Even more so considering that employment levels in several of the region's countries have returned to pre-pandemic values or are close to them, but with lower real labour incomes than at that time.

Thus, the negative impacts on average household income and distribution not only imply major setbacks in living conditions, but demand, even more than in the past, the implementation and strengthening of different types of policies.

As noted, in some countries in the region, formal employment has registered low dynamism or even contractions during the first half of 2022. This is why policies to sustain and create more and better jobs, especially formal jobs, have become even more important.

On the other hand, the inflationary context calls for the strengthening of labour institutions, especially the minimum wage and collective bargaining. Social dialogue has a key role to play in enabling this path to be followed, taking into account the needs and possibilities of workers and employers. This is even more relevant in a context of changing work arrangements and where progress is needed to close persistent labour gaps in order to enhance the positive effects of digital transformation and just transition.

Finally, during 2020 a set of strategies were implemented to provide income support to the most vulnerable individuals and households, many of them informal. During the following year, many of these policies were discontinued or reduced in scope and coverage. The loss of real income that has been observed in the face of accelerating inflation requires further progress in providing income guarantees to the population as a whole, but also in linking them more closely to active labour market policies.



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