

Labour markets and pathways for recovery that mitigate unemployment

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COVID-19 impacts on unemployment and well-being
The imperative for working together on health and labour/employment policies

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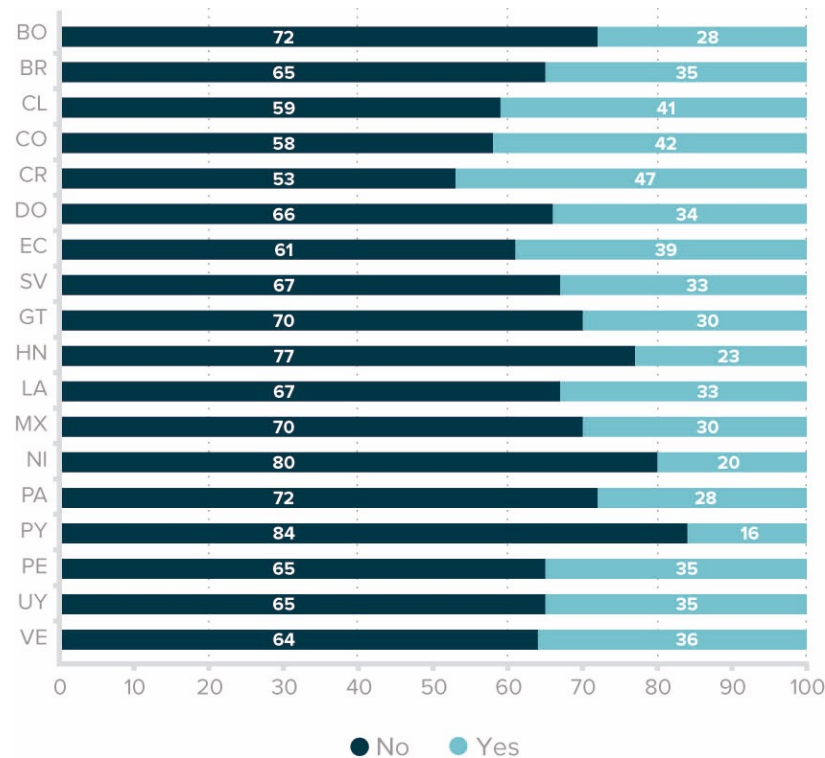
Message 1: The COVID -19 crisis hurt workers
(and their households) differently across the
income distribution

Only one third of Latin Americans said they were able to work online in 2020

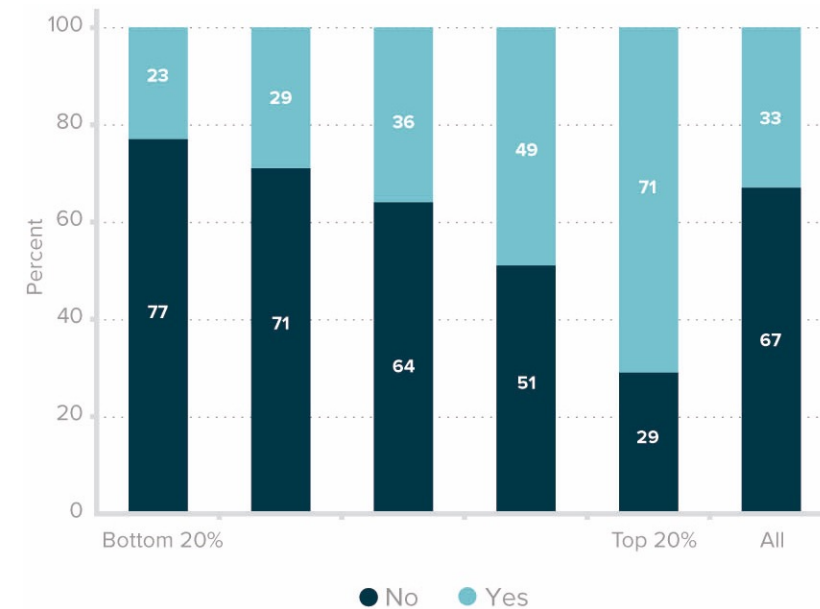


Are you or someone in your family working remotely or have you worked remotely via the internet from home during this pandemic?

a. By country



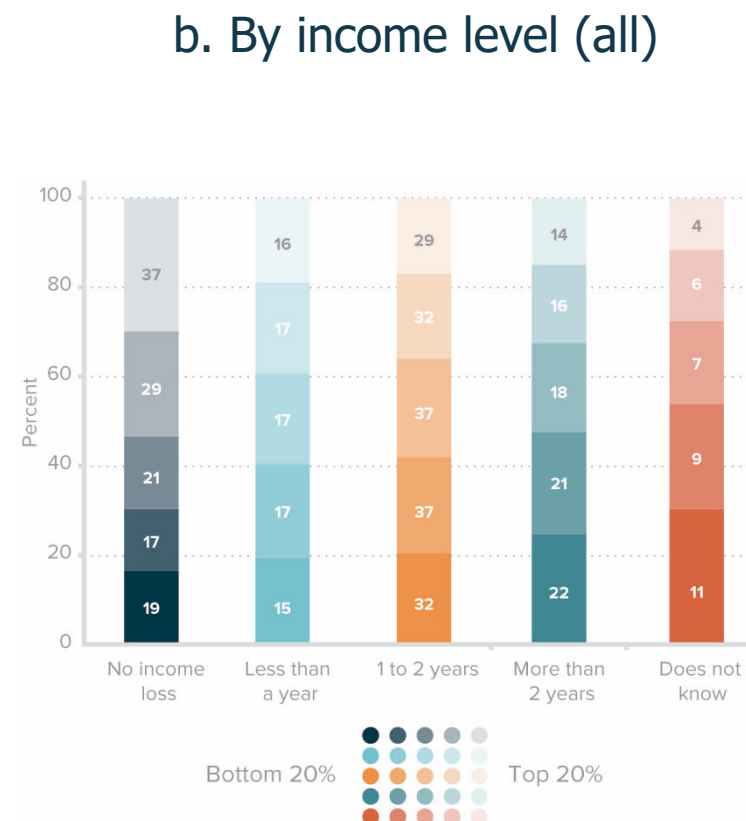
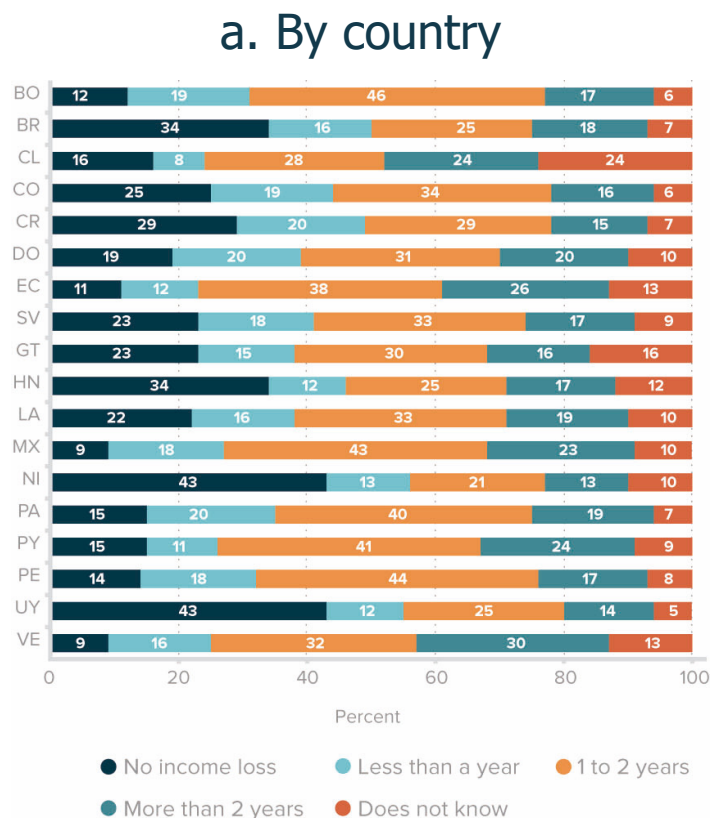
b. By income level (all)



Most people expect it will take one year or more to recover from the pandemic income shock



How long do you think the income of you and your family will take to return to what it was before the start of the pandemic, or have you and your family not lost income due to the pandemic?



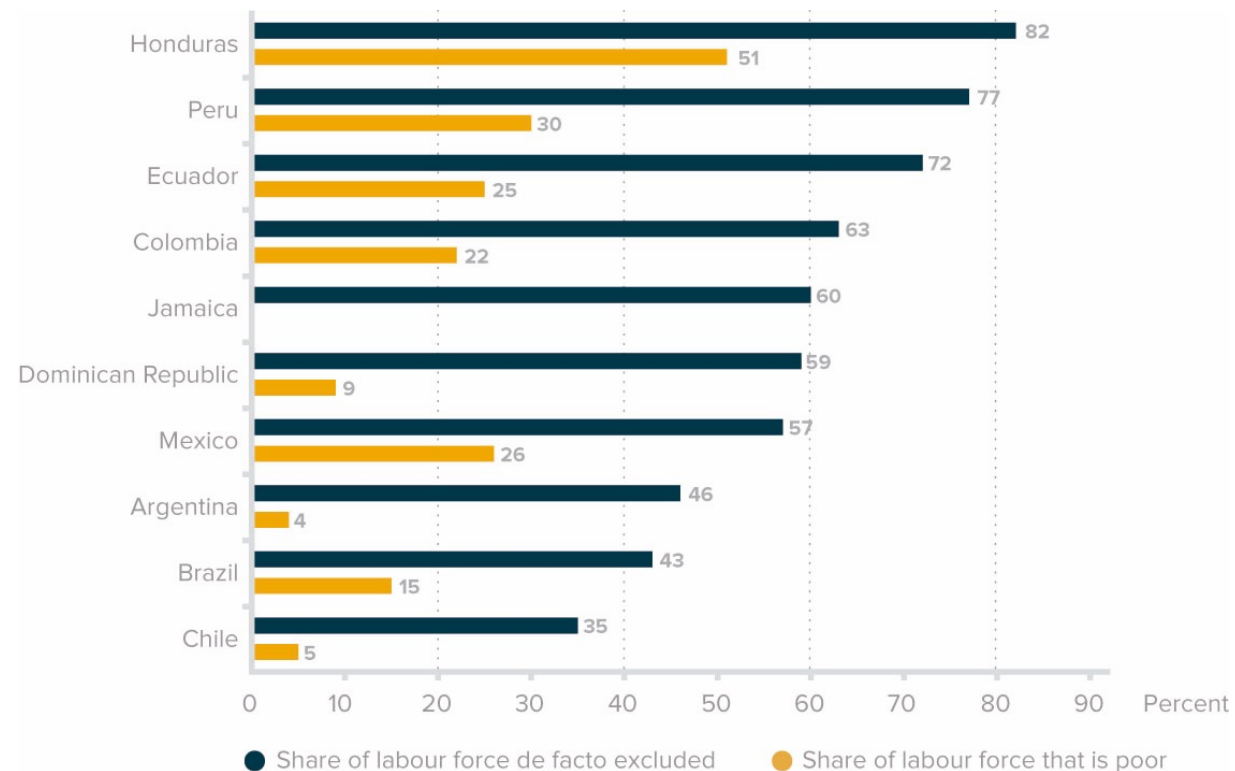
Message 2: The COVID-19 pandemic exposed LAC labor markets' **structural problems** that will not be automatically gone once the pandemic is over.

Large shares of the labour force are excluded from the most important social protection programmes

Informality meant lack of protection through insurance against unemployment, sickness and death.

It also meant invisibility from government registries.

Share of the labour force excluded from contributory social insurance, selected LAC countries



Source: Levy and Cruces 2021, Background Paper of the UNDP LAC RHDR 2021; UNDP calculations using national household surveys.

Note: Workers in households under the poverty line of \$5.50 a day, 2011 purchasing power parity.

A large share of the workforce in LAC is dispersed in self-employment or in small firms

Self-employment among the poor meant immediate income loss from lockdowns.

And small businesses had no financial muscle to defend themselves and their workers.

Self-employment and employment distribution by firm size



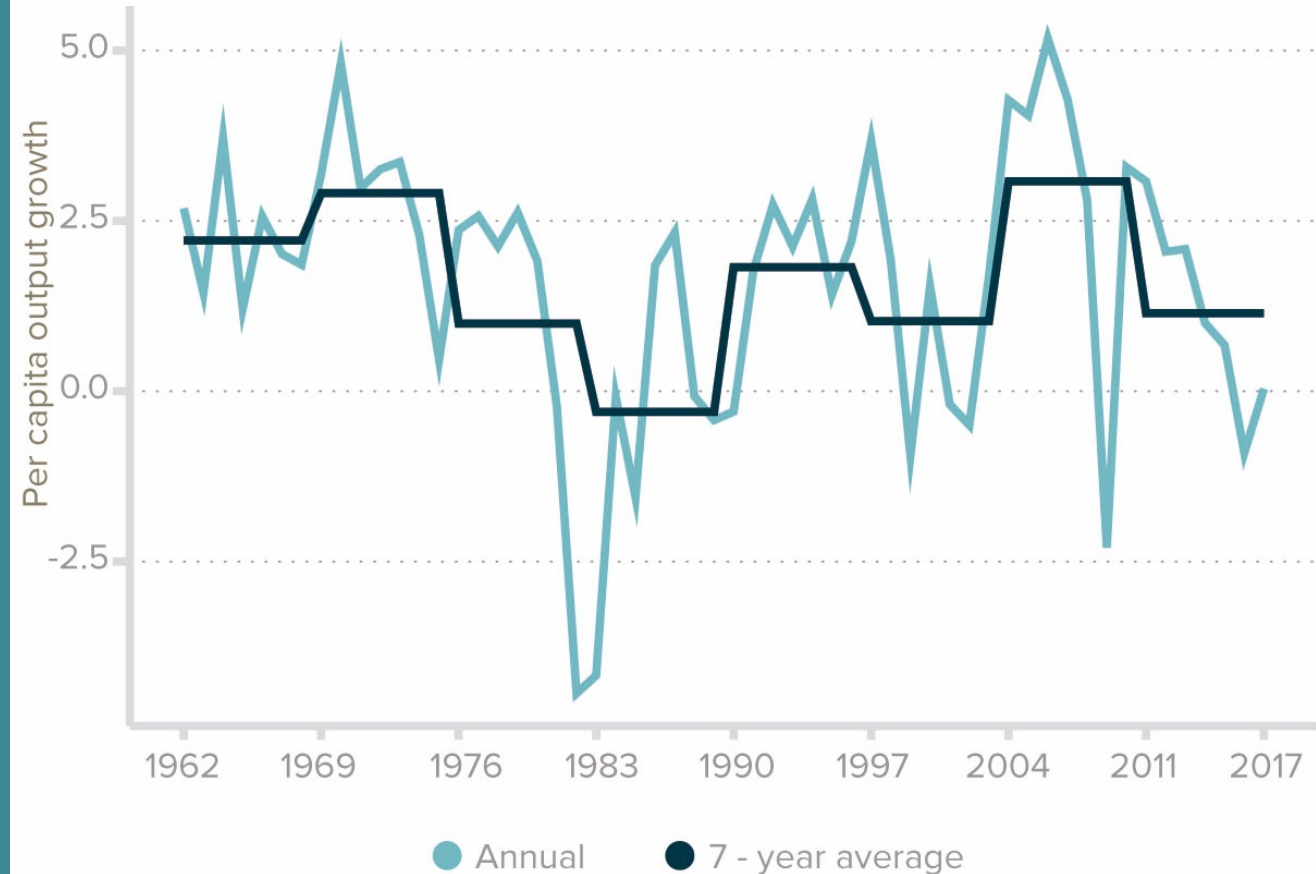
Sources: UNDP LAC Working Papers 14–23; SUSB (Statistics of U.S. Businesses) (dashboard), US Census Bureau, US Department of Commerce, Suitland, MD, <https://www.census.gov/programs-surveys/susb.html>.

Note: Firms up to five workers: Chile, up to 9 workers; Dominican Republic, Ecuador, Honduras and Peru: up to 10 workers. Firms of more than 100 workers: Brazil, Chile, Colombia, Dominican Republic and Mexico: 50 workers or more. Honduras: 150 workers or more.



Message 3: Bouncing back to where we were in terms of economic growth is not good enough.

Dynamics of LAC historical per capita output growth, mean country, 1962–2017, %



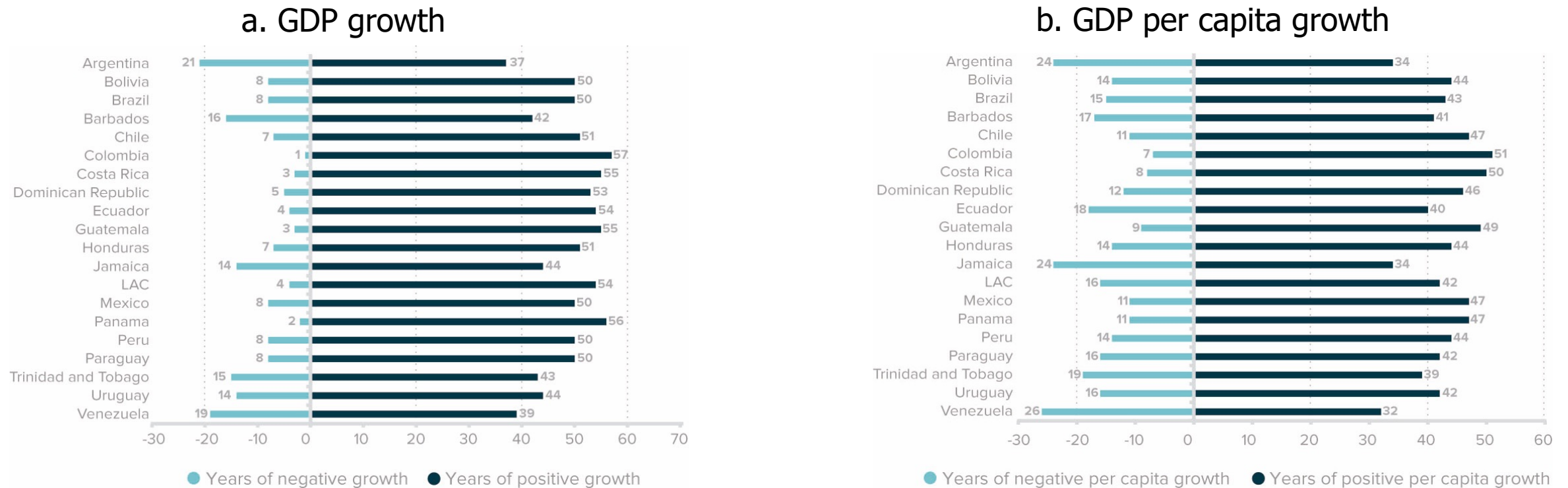
Source: Fernández-Arias and Fernández-Arias 2021, Background Paper of the UNDP LAC RHDR 2021; data of Penn World Table (database version 9.1), Groningen Growth and Development Centre, Faculty of Economics and Business, University of Groningen, Groningen, the Netherlands, <https://www.rug.nl/ggdc/productivity/pwt/pwt-releases/pwt9.1>.

Growth in LAC has been highly volatile.

As a result average growth is low.

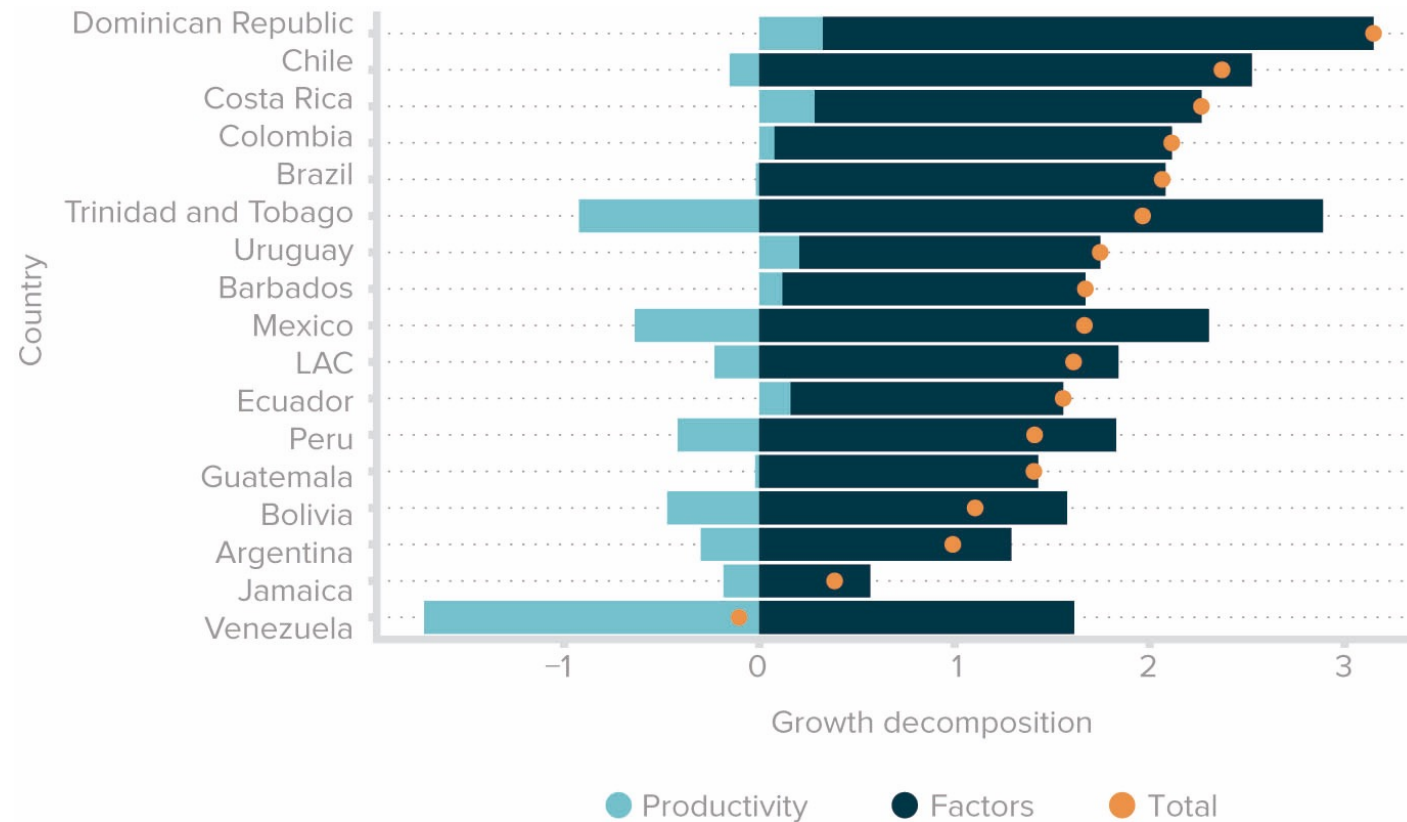
Growth has been often negative, and slower than needed to keep pace with demographic expansion

Number of years with negative and positive growth, 1962–2019



Factor accumulation: a dominant role in long-term output growth in all 16 countries studied

Decomposition of per capita output growth, LAC, 1962-2017, annualized,
%



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Vaccination is the best recovery policy.



Cash transfers should not stop. Cash for work programmes. Payroll subsidies. **Temporary rescue tools.**



Internet access. Digitalization. Training for new forms of work.



But real recovery requires **better social protection systems**, that don't distort labor markets resulting in such undesirable configuration of the productive sector.



Message 4: The pathway to recovery requires transiting to universal social insurance systems

- ➔ Because of social protection systems that tax formality and subsidize informality, half of the work force in LAC is sentenced to low productivity jobs (and low income) in self-employment or very small businesses, which perpetuates inequality and hurts economic growth.
- ➔ Universality in social insurance systems, understood in three dimensions: (i) the entire population exposed to a given risk covered through the same programme; (ii) the source of financing the same for each programme; and (iii) in-kind benefits of the same quality for all.



THANK YOU

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