

SOCIAL POLICIES IN RESPONSE TO CORONAVIRUS

Labor markets of Latin America and the Caribbean in the face of the impact of COVID-19



Why is it necessary to adopt public policies to mitigate the effects of COVID-19 in labor markets?

The COVID-19 pandemic has arrived at a time of economic weakness in the Latin American and Caribbean region: in recent years there has been a deterioration in GDP per capita, as well as a rise in informal labor, which now accounts for 56% of workers. Due to the crisis generated by the coronavirus, some forecasts estimate that the region could lose between 5.4 and 18 million employees, which would increase the percentage of informal labor to 62% of the total number of jobs.

State intervention is key to supporting people who have been deprived of their income, and also for avoiding - or at least containing - job losses, which would not only impact directly on the welfare of the families affected, but could also delay economic recovery in the region. The destruction of productive employment implies a loss of knowledge and intangible assets of companies, disruption in value chains and a loss of purchasing power parity that constricts demand. In the case of formal jobs, their destruction would also incur fiscal costs due to losses in taxation and social security contributions. Containing employment losses is also vital for vulnerable workers on low incomes, given the overwhelming evidence showing how transition towards unemployment and informal labor affects long-term career development, restricting access to quality jobs even when the economy is restored. **Rapid and appropriate action on the labor markets therefore ensures a minimum source of income and also a more rapid exit from an economic recession which, in all probability, will last beyond the current health emergency.**

What type of public policies can be implemented?

When designing strategies, each government must take into account the measures required for the current time, which include social isolation for the current period, short-term recession and also recover over the medium term.

Moreover, the following measures must be considered:

a Programs that protect the income of formal and informal workers:

- > **In the immediate period:** Special money transfers must be given to anyone who is not registered in social protection programs.
- > **In the short term:** Cash for training policies can be implemented, and temporary work can be encouraged in any countries that already have this type of program.

> **In the short and medium terms:** Professional training policies should be implemented, as well as processes for labor intermediation through the Public Employment Services, aimed at moving job seekers closer to the employment opportunities that exist within the dynamic economic sectors where jobs are created, and also to inform on workers' rights and possible changes in labor law.

> **In the short and medium terms:** For workers laid off from the formal market, unemployment insurance will be vital, as it will allow them to sustain income levels and - in the medium term - should be combined with active employment policies, such as training and labor intermediation, which will allow jobs to be reallocated between the most affected sectors and those that are more buoyant.

b

Programs that protect workers and discourage the dismissal of workers:

> **In the immediate period and in the short term:** Transfers to employers may be provided to cover labor costs (such as labor subsidies, compensation for length of service or social security contributions) which may be dependent on staff maintenance.

> **Short-term:** Measures for work-sharing, temporary unemployment or short-time work can also be implemented, through which the State pays a part of the worker's salary.

How are the most appropriate measures chosen?

When thinking about and designing the strategy, each country must consider the specifics of the territory, mainly relating to:



Diversity of the effects of the pandemic on that territory



Whether or not previous programs exist



Fiscal capacity of the State

In addition, the specific nature of certain sectors particularly affected by the pandemic must also be taken into account, such as tourism, trade, restaurants, hotels and transport. According to data from [BID-SIMS](#) for 18 countries in the region, about 66 million people are working in these sectors; of these, around 45% are in an informal employment situation.

What labor policies are being taken by the countries of Latin America and the Caribbean?



In order to protect the health of workers and reduce infections:

> Several countries are promoting teleworking in those occupations where it is possible (Ecuador, Peru, Colombia, Chile, Costa Rica, Panama).

> Where remote working is not possible, measures are being put in place to reduce working days (Ecuador, Panama, Chile) or for paid leave (Argentina, Peru, Chile).



ii) To provide sources of income for workers or the most vulnerable during the period of social isolation:

- > Increased economic transfers (Colombia).
- > Bonds for retirees (Argentina and Brazil) and families who have not formal employment (Argentina, Colombia, Chile and Peru).
- > Sickness benefits for persons infected (or suspected of being) with coronavirus (Bahamas), as well as anyone who has lost their job due to the pandemic (Bahamas, Jamaica).
- > Food stamps for workers in the tourist sector (Bahamas) or vulnerable people (Paraguay).
- > Increase in eligibility and/or generosity of the unemployment insurance and individual unemployment savings accounts (Chile, Colombia).



iii) To preserve employment sources:

- > Some countries have prohibited the laying off of workers (El Salvador) and have allowed the payment of salaries to be interrupted through a guarantee from the labor inspectorate (Costa Rica).
- > Facilities have been granted to employees for the payment of taxes and social security (Brazil, Colombia, Chile and Peru).
- > Credit lines are provided (Brazil, Colombia and Jamaica) and refinancing (Paraguay) aimed at companies affected.
- > Work-sharing measures have not been implemented in the region for the time being.

What is the current response from countries of the Organization for Economic Cooperation and Development (OECD)?



i) To preserve employment sources in the formal sector of the economy:

- > More than a dozen countries have implemented work-sharing measures, through which the government subsidizes a part of the salary, the employer pays the other, and the working day of the workers is reduced.
- > Subsidies have been provided to sick leave (Sweden) and facilities granted for payment of taxes and social security contributions (Sweden and Italy).
- > Credit lines are being provided for companies and compensations due to falls in exports (Sweden).



ii) To facilitate access to employment sources:

- > More than a dozen countries have reduced waiting times or eased the restrictions for accessing unemployment insurance.



iii) To support self-employed or vulnerable workers:

- > Sweden provides payment for leave due to illness of up to 14 working days to self-employed workers.
- > Quebec (Canada) has set up an income transfer program for workers affected by COVID-19 who are not receiving any income.



iv) To monitor compliance with workers' rights:

- > Some countries provide information on legislation regarding unfair dismissal, absence due to illness and teleworking (Canada, USA).



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