Public Policies for Unlocking the Value of Paid Domestic Labor in Latin America and the Caribbean

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POLICY BRIEF N°
IDB-PB-00393

December 2023
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Public policies for unlocking the value of paid domestic labor in Latin America and the Caribbean / Agustina Suaya, David S. Kaplan, Luciana Etcheverry.

p. cm. — (IDB Policy Brief ; 393)


IDB-PB-393

JEL codes: J08 J46 J16, J18

Keywords: Domestic Work, Labor Informality, Labor Policies
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Paid domestic labor plays a key role in the economy because it replaces unpaid labor and facilitates women's access to the labor market. There is evidence internationally to indicate that domestic workers do the care work and chores that would otherwise be unpaid. This substitution effect enables many women who were outside the labor market or only worked a few hours a week to change their time use patterns by increasing the hours devoted to paid work and reducing the time devoted to care (Cortés and Pan, 2019; Cortés and Tessada, 2011; Chan, 2006; Farré, González and Ortega, 2011; Forlani, Lodigiani and Mendolicchio, 2015; Barone and Mocetti, 2011). However, the importance of this type of work should not serve as an excuse for offering domestic employees working conditions that are inferior to those of other workers, i.e., there should be no greater tolerance for employers of this group shirking their obligations.

Domestic work employs a very significant portion of women in the region, but only a minority of them have access to the social security system. The labor informality observed in this sector doubles the average informality of other workers in the region. Given that these jobs are more frequently done by vulnerable women, the low rate of formality puts them in a more vulnerable position, contributing to perpetuating existing gender and diversity gaps in the region.

1. As would be expected, these effects are observed among women with more education and income, where the opportunity costs of time use are higher.
A significant portion of employed women in Latin America and the Caribbean are engaged in work done in the home. Data from 2019 indicate that 11% of employed women in the region were employed as domestic workers (ILO, 2021). However, in countries like Argentina, Costa Rica, Guatemala, Paraguay, the Dominican Republic, and Uruguay, domestic labor accounts for an even higher proportion of female employment (at least 15%). While this sector is critical for women, for men it accounts for less than 1% of employment (Figure 1).

**FIGURE 1. PROPORTION OF FEMALE DOMESTIC WORKERS IN RELATION TO TOTAL EMPLOYMENT, BY SEX (2019)**

Source: ILO, 2021
Domestic work employs a very significant portion of women in the region, but only a minority of them have access to the social security system.

**Domestic work is an important source of paid work for women in vulnerable situations.** Data for countries in the region indicate that domestic work accounts for a higher proportion of employment for migrant women compared to natives. The sector employs almost 30% of working migrant women in Argentina, 34% in Costa Rica, and 13% in Chile, while among women nationals, the sector accounts for 12%, 16%, and 8% of employment, respectively (Valenzuela, Scuro Somma and Vaca-Trigo, 2020). Something similar can be observed with respect to ethnicity and race, with indigenous or Afro-descendant women over-represented in the domestic labor sector in several countries of the region. In Guatemala and Mexico, 28% of domestic workers are indigenous women (ILO, 2021). Additionally, ECLAC estimates for eight countries in the region indicate that more than 60% of domestic workers are of African descent (Women and ECLAC, 2020).

**Although it is a very important sector that employs millions of women, domestic labor has extremely low rates of formality.** ILO estimates indicate that by 2019, about 81% of domestic employment worldwide had no social security protection. This figure doubles the informality observed in the economy as a whole, which averages 40%. Informality in domestic work in Latin America and the Caribbean is lower than global levels, but far higher than in the employed population and among salaried workers in other sectors. Regionally, 72% of domestic workers are employed informally, compared to 56% for the rest of the employed population and 35% among salaried workers (ILO, 2021). In several countries in the region, virtually all domestic workers lack social security.

**Recent years have seen a small improvement in indicators on formalization of household work in Latin America and the Caribbean, with an increase of 4 percentage points with respect to 2012** (ILO, 2021). However, progress is slow and heterogeneous within the region (Figure 2). The marked differences in formalization for this group are due both to differences in legal frameworks—in some countries, it was not even a legal requirement to provide social security for these people—and to differing efforts to enforce compliance with the law.
FIGURE 2. PROPORTION OF FEMALE DOMESTIC WORKERS IN INFORMAL EMPLOYMENT (2012 AND 2019)

Source: ILO, 2021
DOMESTIC WORK IN LATIN AMERICA AND THE CARIBBEAN, IN FIGURES

- **90%** of domestic workers are women.
- **7.4** years of education, on average.
- More than **80%** of domestic workers do not live in the house where they work (shift workers) and this figure has been increasing in recent years. In countries like Brazil, Mexico and Argentina, women who are live-in domestic workers are very much in the minority (1%, 3.7%, and 1.1%, respectively).
- **47.8%** work less than 34 hours per week (compared to 18.5% of other wage earners).
- Domestic work occupies **35.3%** of all migrant workers in the region.

**Note:** These statistics include 24 countries in the region (Trinidad and Tobago, Argentina, Uruguay, Costa Rica, Paraguay, Dominican Republic, Brazil, El Salvador, Guatemala, Jamaica, Nicaragua, Mexico, Chile, Guyana, Honduras, Ecuador, Venezuela, Colombia, St. Lucia, Peru, Suriname, Bolivia and Haiti).

**Source:** ILO, 2021.
The labor formalization of domestic workers has benefits for both employers and employees. For employers, formalizing the labor relationship provides protection from potential workplace accidents, while at the same time guaranteeing access to the social protection system in the event of maternity or employee illness (according to the labor legislation in place in the country). In addition, formalization reduces the risk of litigation and fines that may be imposed by the courts in the event of a complaint or a contentious termination of employment. For employees, it gives them more labor guarantees, allowing them access to the social security system. This access to the social security system translates into services such as health insurance, maternity leave and benefits, unemployment insurance, and retirement.

In recent decades, the countries of the region have made efforts to design policies aimed at improving the working conditions for domestic work and reducing the high rates of informality in the sector. There are two main types of policies in the region: regulatory or normative changes and incentive policies (positive and negative). This section describes the interventions implemented and analyzes the available evidence on their effectiveness.

Regulatory changes

Although labor and social security rights coverage for women doing domestic work still lags significantly, important regulatory advances have been made in recent years at the global level and in Latin American and the Caribbean.

Convention 189 of the International Labour Organization (ILO) of 2011 represents an important first step for this employment sector, as it recognizes the contribution of domestic work to the global economy and the persistent undervaluation of this type of work. It also establishes guidelines to ensure that domestic workers enjoy the same rights and benefits as other workers, taking into account the unique characteristics of such work. As of 2022, 35 countries had ratified Convention 189 and brought it into force. It is important to note that, of these 35 countries, almost half (17) are in Latin America and the Caribbean (Figure 3).
Along with adopting this agreement, several countries in the region have carried out reforms and established programs to expand social security coverage for domestic work and promote the formalization of this sector. **One of the main changes that have taken place in the region has been shifting domestic work over to the general or ordinary regime used for all workers.** In many countries, domestic work was regulated by a special regime that explicitly discriminated against domestic work, providing lower benefits compared to other workers.

**Another major regulatory change at the global level and in the region has been the transition from voluntary to mandatory social security coverage.** In recent years, countries such as Malaysia, Mexico, Morocco, Peru, and South Africa have made this type of change in labor regulation. In fact, only four countries in the world still keep it purely voluntary for domestic workers to join a social security regime: Cambodia, El Salvador, Fiji, and Honduras. Despite these regulatory advances, a central problem is the gap
between existing legislation and its implementation, monitoring, and evaluation. In many of the countries that have made the transition to mandatory coverage, it is still unclear how implementation will be ensured, what the consequences are for employers in the event of failure to comply with registering domestic workers, and what the likelihood is of facing these consequences. One of the main examples of the disconnect between legislation and its implementation is the case of Guatemala, where, in 2009, an agreement was reached to extend social protection to domestic workers under a special regime, but with the objective of progressively expanding the scope of coverage to the general regime covering all workers. However, according to a report by the Guatemalan Ombudsperson, by the end of 2020 there were only 10 domestic workers signed up to the program (Stern Plaza, 2022).

Regulatory changes are a very important first step toward recognizing rights and moving towards formalizing domestic work. Some regional experiences show that regulatory changes, especially when accompanied by public spaces for debate, can have an impact on the formalization of domestic work. Quasi-experimental studies in Brazil and Colombia show that providing equal labor rights for domestic workers is associated with an increase in the number of formal jobs and a reduction in the number of hours worked (Costa, Barbosa and Hirata, 2016; Serna Velasco, 2021).

Policies to promote employee registration and formalization

Although there is some evidence on the effectiveness of regulatory changes, it can reasonably be expected to hinge on countries’ institutional capacities to enforce the legislation. Without proper monitoring, inspection and sanction mechanisms, regulations alone are unlikely to be enough to change social patterns and dynamics. In order to bring about substantive changes, policies must be joined with specific actions that produce changes in incentives and encourage employee registration in order to expand and recognize rights.

Along these lines, one measure implemented in the region is the creation of tax incentive policies for registering domestic workers; however, the impact of this measure on formalization has been mixed. While in Argentina, this policy improved formalization rates, a similar measure implemented in Brazil had
no impact. Argentina granted a tax deduction to employers of registered domestic workers, resulting in a 6 percentage point increase in formalization (Boruchowicz, 2021) and a 4% increase in monthly earnings despite a reduction in hours worked (Feld, 2022). Additionally, the reform indirectly led to a substantial reduction in the labor supply of the children (particularly women) of domestic workers who formalized (Feld, 2022). In Brazil, a law that allowed individuals to deduct the social security contribution of their domestic workers from the income taxes paid by the employer had no impact on formalization (Madalozzo and Bruscato, 2011). The authors explain that these outcomes may be due to two factors: on the one hand, the regulation had many restrictions, limiting employer eligibility; on the other hand, there was a significant increase in the real minimum wage that may have offset the tax incentive granted (Madalozzo and Bortoluzzo, 2011).

Another measure that has been implemented is the dissemination of information on the benefits to the employer and employee of registering domestic workers. These types of behavioral economics interventions have had positive impacts on the formalization of the sector, although the effects are small. An experimental study shows that sending letters and brochures with information on the rights of domestic workers and details on how to apply for registration has an impact on formalization. The study, which included the participation of more than 173,000 households in Argentina, found a 0.22% increase in the registration of domestic employees. This means that for every 1,000 households that received the letter, an average of 2 more employers registered than in the group that did not receive the letter. Compared to the mean registration rate of the control group, this amounts to a 8.9% increase in the registration rate (Ohaco and Vello, 2019).

A third type of positive incentive measure is offering subsidies for registered domestic employment. The Registradas Program, which was launched in Argentina, provides a subsidy of between 30 and 50%2 of the worker’s salary for 6 months when the employer registers the worker, pays the contributions and commits to keeping

2. The subsidy for employers whose gross income is less than AR$ 122,500 will be 50% of the net monthly remuneration, pursuant to the sector’s collective bargaining agreement. When income is between AR$122,500 and AR$175,000, the subsidy will be 30% of the net monthly remuneration. In all cases, the benefit may not exceed AR$15,000 per month.
the person employed for the four months following the end of the benefit. So far, there is no rigorous evidence on this program. However, the IDB is working with the Argentine government on a study to gauge the program’s effect on labor formalization, wages, and hours worked, as well as to identify the main determinants and barriers faced by women workers to increasing formalization of the sector and the main characteristics of their work.

Additionally, governments also have tools for monitoring, inspections, and sanctions. For a significant portion of cases, the evidence on these punitive policies shows them having a positive effect on formalization (Jessen and Kluve, 2021; De Giorgi, Ploenzke and Rahman, 2018; Almeida and Carneiro, 2012). However, there are no specific rigorous studies on how effective inspections are at formalizing domestic workers. Even though it is difficult to implement, more and more governments are creating policies facilitating regulation of this sector. Examples can be seen in countries such as Argentina, Chile, and Uruguay. In Argentina, inspections are being carried out and warnings issued in gated communities based on cross-referencing data about entry and exit to the community and databases and the administrative databases on registered employment. In Chile, the Labor Directorate has the power to request entry to a home to verify working conditions and, if denied, the employer must appear before a Labor Inspectorate office or pay a fine (ILO, 2021). In Uruguay, both ex officio inspections and inspections in response to complaints are carried out, with inspectors being able to interview the parties without entering the home (ILO, 2021).

Along the same lines, actions such as collective bargaining or access to justice for domestic workers can also be an incentive for employers. A quick response by the justice system to cases of domestic workers and the recognition of the undeclared employment relationship as an aggravating factor in the event of dismissal increases compensation costs and potentially contributes to increasing a preference for declaring an employment relationship. This type of strategy has been implemented in Argentina, where the Labor Court for Domestic Workers exclusively hears labor disputes in this area. The court has mediation and rapid response authorities for addressing labor suits filed by workers (ILO, 2021). Despite the importance of this type of policy, there is no rigorous evidence of its effectiveness as a mechanism to increase formalization. However, the study analyzing the effects of the constitutional change in Brazil (see previous section) attributes the impacts on formalization to the debate generated by the norm, which raised awareness on labor rights and obligations. This increase in awareness among employers boosted labor registration to avoid penalties resulting from litigation against them by their employees (Costa, Barbosa and Hirata, 2016).
Despite the fact that until 2018, domestic workers in Mexico could be formally registered on a voluntary basis, even in the few cases where that happened, domestic workers did not have access to cash benefits for disability due to illness, maternity, or work-related accidents. In addition, the maximum working hours allowed per day were longer than for other workers (12 versus 8). In December 2018, the Mexican Supreme Court ruled that this type of labor regulation discrimination was unconstitutional and instructed IMSS, the Mexican Social Security Institute to devise a strategy for incorporating domestic workers into the ordinary regime.

In 2019, a reform of the Federal Labor Law and the Social Security Law was approved that brought the labor rights of domestic workers into line with those of other salaried workers. Among other measures, the reform granted domestic workers the right to a written contract, which took effect immediately. The reform also granted the right to social security, but additional changes to the law were needed to make this right effective. The following graph shows the trend in the percentage of domestic workers with a written contract, in addition to the percentage who have social security.

**FIGURE 4. DOMESTIC WORKERS WITH SOCIAL SECURITY AND WRITTEN CONTRACTS IN MEXICO: 2005 TO 2022**

*Source: National Survey of Employment and Occupation of the INEGI.*

There are no data for the second quarter of 2020.
Figure 4 shows little progress in both indicators since the approval of the reform. The fact that the right to social security had not yet entered into force could explain the limited progress of this indicator. However, it is important to note that there is also no significant improvement in the percentage of domestic workers with a written contract despite it being an obligation for employers starting in 2019. One possible explanation is that the enforcement effort has been weak, which means that employers do not perceive a risk associated with non-compliance with their obligations.

Mexico approved legislative changes to make social security mandatory for domestic workers in October 2022. Since the vast majority of the employers of these individuals are failing to comply with their obligation to provide a written contract, it will be important to monitor whether compliance is better with the new obligation to provide social security.

Some lessons learned from this evidence

Based on what has been observed from the studies done in the region, we can draw some lessons learned about the process of formalizing the sector:

- **Providing access to social security for a significant percentage of domestic workers is an achievable goal for the countries of the region.** The data from Brazil are a clear indication that, while not all policies in all countries are effective, labor informality in domestic employment is not a given. Data from 2019 for that country show that 40% of domestic workers had social security. We believe that a major enforcement effort in Brazil accounts for part of its success. In other words, it is not enough to provide benefits under the law. It is important for the state to take action to increase compliance.
• **Progress in formalizing domestic workers is not automatic.** The case of Mexico shows that while regulatory changes are important, they do not guarantee improvements to working conditions. The percentage of female employees with social security barely reached 1.5% in 2018 in Mexico, lower than the 5.5% recorded in 2000. In the case of employed persons with written contracts, the percentage has risen only slightly—from 0.8% in 2005 to 1.9% in 2021—even though a written contract has been mandatory since 2019.

• **It is possible to increase the formalization of this group by combining regulatory changes with incentive policies; however, the effectiveness of these interventions may be associated with the sector’s initial levels of formality.** The case of Argentina shows that updating labor regulations for domestic work along with the specific actions of tax incentives and providing information yield increases in the formalization of this type of employment.

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**THE EVIDENCE ON MINIMUM WAGES**

It is very important to properly design policies for formalizing domestic work that take into consideration the different incentives and disincentives for all actors (employees, employers, government).

One of the main considerations is the effect of a minimum wage on household workers at the time of formalization. Because the wages of household workers are usually low, a formal minimum wage is quite possibly a relevant constraint. The existing evidence shows mixed outcomes.

On the one hand, evidence shows that the minimum wage policy had a positive impact on real wages in the short run (Gudibande and Jacob, 2020; Dinkelman and Ranchhod, 2012), but no effect on employment at the extensive and intensive margins (Dinkelman and Ranchhod, 2012). In addition, there is little evidence to indicate that this positive income effect persists in the long term.

These mixed outcomes highlight the need for further research on the effects of legal reforms and formalization policies on registration rates, wages, employment, and other welfare indicators in both the short and long term.
Looking ahead: How can labor formalization be encouraged?

Domestic work employs a large number of women, many of whom are more vulnerable because they belong to migrant groups or to ethnic or racial minorities. Improving the working conditions of this group would enable these women access to the labor rights enjoyed by other employees. Guaranteeing them the same legal floor as other workers would make it possible for these workers to access medical and parental leave in the short term when they need it. In turn, social security contributions would give them access to a retirement pension at the end of their working lives, which would contribute to closing the gaps in pension system access currently observed in the region.

In order to take substantive steps toward registering domestic workers, there are five actions that could be taken:

1. **Update labor regulations.** Although many countries in the region have updated their labor laws, several countries have yet to adopt basic standards such as ILO Convention 189. Making it mandatory for domestic workers to register for social security and bringing their working conditions into line with those of other salaried workers is an important first step towards formalizing this sector.

2. **Facilitate the mechanisms for registration and payment of social contributions.** Simplifying procedures and payments, as well as ensuring that the employer contributions are affordable, are also critical when designing formalization policies. Employer families are not companies and do not have structures set up specifically for human resource management. Therefore, simplifying the registration and payment processes reduces transaction costs and facilitates compliance.

3. **Inform employees and employers of their rights and obligations.** Evidence from Argentina shows that disseminating information to employers on the rights of employees and their obligations as employers, while also providing information on how to complete the registration process, is effective at promoting the formalization of domestic workers. It could thus be assumed that campaigns in the media and via the corresponding labor unions are critical for informing more people about the mandatory nature of registration and getting them to act accordingly.
4. **Strengthen enforcement.** Existing evidence indicates that while positive incentives increase registration of domestic workers, the effects are relatively small. These policies must be accompanied by enhanced government controls on employee registration for this sector that also ensure the corresponding sanctions are applied when employers do not comply. However, strategies for enforcement within private homes require creativity on the part of the authorities. The experiences of Chile and Uruguay show that it is possible to carry out inspections in these private spaces. At the same time, Argentina shows that it is possible to carry out these inspections creatively, accessing, for example, the entry and exit records of gated communities. However, the effectiveness of these inspections depends, crucially, on the state’s ability to cross-check data and identify potential non-compliant households. In these cases, in addition to in-person inspections, the effectiveness of behavioral economics strategies should be tested. Sending notification or warning letters may also be effective.

5. **Professionalize the workers.** There is evidence that caregiving tasks will be more demanding in the future (Cruz-Aguayo et al., 2019). Therefore, there is an opportunity to professionalize the care tasks currently performed by domestic workers in the region. Providing training courses and certifications could lead to an improvement in the type of work performed by these workers, leading to better income, higher rates of formalization, and better job prospects later on.
How can we move forward?

So far, the academic literature on formalization policies for domestic work is still in its early stages. In order to improve the interventions designed and get more effective outcomes, more robust evidence is needed. Without rigorous evidence, it is difficult to draw lessons learned that can be used to improve current programs or design new ones.

In this sense, expanding efforts to evaluate the impact of legal reforms and formalization programs should be a priority for governments and researchers in the region. In addition, it is essential for a diversity perspective to be included in these evaluations to analyze the heterogeneous effects that these policies have on specific groups of women workers. As evidenced in this document, a large number of domestic workers are women of African descent or migrant groups, so understanding how these formalization and professionalization policies affect their employment opportunities is a priority.

Another topic little explored in the literature, but highly relevant in terms of public policy, is analysis of what type of labor certification allows for better labor and income trajectories for these women. It would also be worthwhile to learn more about how the agencies that provide cleaning and care services on an outsourced basis operate and how inspection strategies can be enhanced to guarantee the labor rights of domestic workers. Similarly, studies must be conducted on the incidence of workplace violence, as well as on the mechanisms available to protect victims.


