

Latin American labor market and labor policy under the impact of the COVID-19 epidemic

Gao Qingbo

Abstract: In order to explore the impact of the COVID-19 epidemic on the Latin American labor market, this article examines the changing characteristics of the Latin American labor market and the response policies of various countries under the impact of the COVID-19 epidemic, and analyzes the impact of the epidemic on the Latin American labor market and labor policies. In the context of the COVID-19 epidemic, Under the impact of the epidemic, the Latin American labor market's already slowly deteriorating key indicators such as employment, unemployment, working hours and wage levels have deteriorated rapidly across the board. Informal employment, which had played a counter-economic cycle role in the past, is also shrinking under the impact of the epidemic, resulting in many Workers have withdrawn from the labor market. In order to cope with the impact of the COVID-19 epidemic, Latin American countries have mainly adopted various forms of job retention policies and employment subsidy policies. However, the active employment policies that once dominated the labor policies of Latin American countries are difficult to deal with the epidemic alone. However, in view of the fundamental changes in the demographic structure of Latin America, the fiscal balance pressure faced by various countries, and the inherent problems in the labor market, the emergency job retention policies and employment subsidy policies of various countries are difficult to last. In the future, Latin

American labor market policies are more likely to Return to the path of focusing on active employment policies.

Keywords:

COVID-19, labor market, active employment policies, job retention, employment subsidies. About the author: Gao Qingbo, PhD in management,

associate researcher at the Institute of Social Development Strategies,

Chinese Academy of Social Sciences. CLC No. : C913 7 Document identification code: A Article number: 1002 - 6649 (2022) 01 - 0031 - 15

This will inevitably lead to the reduction of jobs, and directly lead to a decline in employment and an increase in unemployment. From 2019 to 2020, the

proportion of Latin America's employed population in the total population dropped rapidly from 59.6% to 57.3 percentage points. At the same time, the unemployment rate climbed rapidly to 10% and above 52.9%, with an increase of 23 percentage points. It is estimated that the employment situation will improve in 2021, but the unemployment rate will continue to rise, and it is not expected to recover by 2022. to the level before the outbreak (see Figure 1)

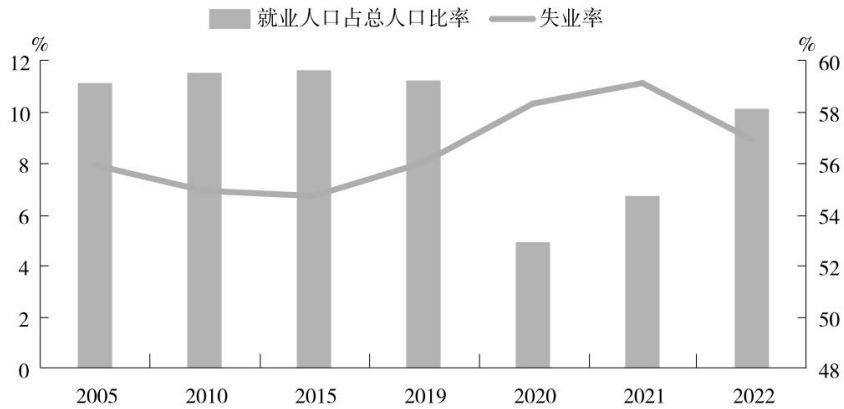


Figure 1 Overview of changes in the employment-to-population ratio and unemployment rate in Latin America in recent years

Note: The data statistics time is 2020 or the latest year. The effective coverage rate is the proportion of the number of insured people to the number of people who should be insured. The data in 2021 and 2022 in the figure are the predicted values of ILO.

Data source: Compiled based on ILOSTAT data. <https://ilostat.ilo.org/> [2021 - 11 - 30]

During the epidemic, the labor market performance of Latin American countries varied. In terms of employment, compared with the same period before the epidemic (second quarter of 2020), the country with the most serious decline was Peru, where the proportion of employed population in the total population plummeted by 28.1 percentage points. The proportion of employed population in the total population in countries such as Argentina, Chile, Colombia and Mexico also dropped by more than 10 percentage points. In terms of unemployment, the country with the largest increase in unemployment rate was Costa Rica, whose unemployment rate increased by 12% year-on-year. By 1 percentage point, the unemployment rate in Colombia increased by 10 percentage points. The unemployment rates in other countries also increased to varying degrees (see Figure 2).

Figure 2: Overview of changes in the employment-to-population ratio and unemployment rate in Latin America in recent years

The epidemic prevention policy has directly restricted the action of looking for work. According to the definition of unemployment statistics, both "frustrated" workers and workers who are unable to take action will be counted as non-labor force, and the size of the labor force has therefore rapidly increased. Generally speaking, under the impact of the epidemic, the employment rate has declined, the unemployment rate has increased, and the labor participation rate has declined. The Latin American labor market is at its worst moment since the beginning of the 21st century.

(2) Working hours and wages

The impact of the COVID-19 epidemic on the labor market is also reflected in the reduction of working hours and lower wages. On the one hand, this is the result of the impact of the epidemic. The loss of job opportunities will inevitably lead to the reduction of working hours. On the other hand, this is also the result of the measures taken by all parties to respond to the epidemic. In order to maintain the employment relationship, companies in Latin America have adopted measures such as early leave, reduction of working hours, implementation of job retention schemes or temporary work suspensions, which have resulted in reduced working hours and lower wages.

Under the impact of the COVID-19 epidemic, the lost working time in Latin America (compared to before the epidemic) was as high as 16.7%. It is the most severely damaged region in the world. The country with the most lost working time in Latin America is Peru, with a loss of 29% in 2020. Argentina, Panama and Honduras also lost more than 20% of their working hours. It should be pointed out that although Brazil adopted different epidemic prevention policies during the COVID-19 epidemic, Brazil still lost 15.7% of its working hours, which was even slightly higher than that in Latin America. It is estimated that Latin America will continue to face a loss of working hours in 2021 (see Figure 3).

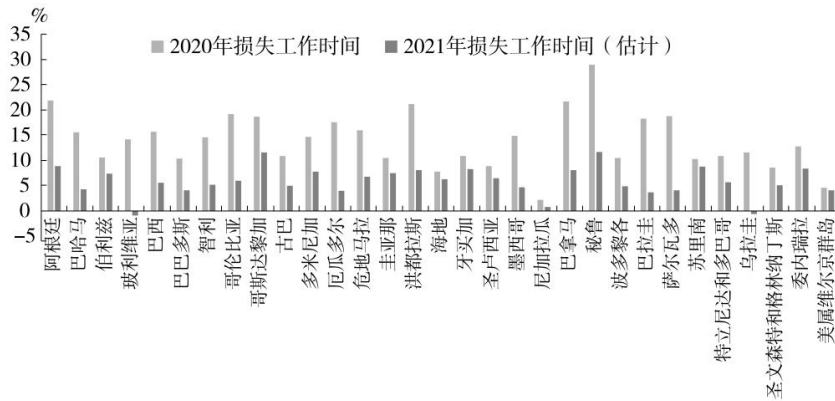


Figure 3 Overview of working hours lost due to the COVID-19 epidemic in Latin America

yyyy: LIKE THIS "Sweet smile I love you Y Y 19 smile" smile: // smile s / smile/

Under normal conditions, labor market participation decision-making is the result of workers comparing the cost-benefit of labor and leisure with the equilibrium value of the labor market. Under the impact of the epidemic, there are obviously factors that reduce work income. This will be discussed later. Detailed analysis of wage decline.

yyyyyyyyyyyy yyyyyy yyyyyyy yyyyy yyyyyyyyyy yy yyyyyy yyyyyyy: yyyyyy yyyyyy yyyyyyy yyy

If calculated based on each person working 48 hours per week, the working hours lost in Latin America in 2020 is equivalent to 36 million full-time jobs. If calculated based on 40 hours worked per week, it is equivalent to the loss of 43.2 million full-time jobs. Both are much larger than the sum of the population who have withdrawn from the labor market and the unemployed population (28 million) in the previous article. It should be pointed out that the standard of 8 hours per day is used to calculate the loss of full-time job data (the two standards are the European upper limit standard and the Chinese upper limit standard). and U.S. standards). However, due to the low unemployment statistical standards in various countries - usually based on less than a few hours of paid work per month (the minimum is only one hour), the calculation result is far lower than the true number of jobs lost. It does not fully represent the extent of the deterioration of the labor market in Latin America.

The loss of working hours is accompanied by a decrease in wages. In 8 countries with available data: Argentina, Belize, Brazil, Dominica, Ecuador, Mexico, Paraguay and Uruguay, wage decreases occurred to varying degrees in 2020. Phenomenon. Among them, Brazil, which relies on tourism as its economic pillar, has many loose epidemic prevention policies. The situation in Dominica is the most serious. Its salary level is only 74.3% of the pre-epidemic level. It has not been able to escape the decline in wages. Its salary is only 82.7% of the pre-epidemic level (see Figure 4).

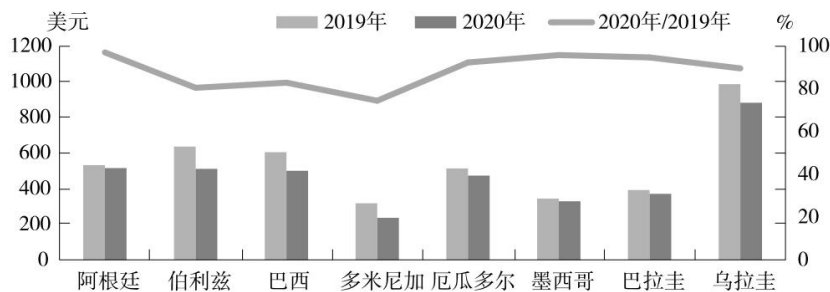


Figure 4 Wage changes in some Latin American countries before and after the epidemic

Data source: Drawn based on ILOSTAT data. [https:// ilostat ilo org / data / \[2021 - 11 - 30\]](https://ilostat ilo org / data / [2021 - 11 - 30])

The decline in wages has directly led to an increase in the size of the working poor in Latin America. In 2019, the total number of working poor (income less than 32 US dollars/day) in Latin America was 23 million people, of which 900 were extremely poor workers with incomes less than 19 US dollars/day. Thousands. In 2020, the working poor population in Latin America expanded to 28 million people, of which the number of extremely poor workers increased to 10 million. The total number of working poor people in the working population

The average wage may also rise during a crisis. The reason is the structural contradiction of unemployment. In a crisis, low-wage workers are often unemployed in large numbers. As a result, the statistical average wage rises. Although there is a lack of official data, it is estimated that there is a high probability in some Latin American countries. There has been a rise in average wages in a statistical sense, especially in countries with skyrocketing unemployment rates. Therefore, wage changes under the impact of the epidemic are not strictly comparable, and there is a tendency to underestimate the seriousness of the problem.

The average wage may also rise during a crisis. The reason is the structural contradiction of unemployment. In a crisis, low-wage workers are often unemployed in large numbers. As a result, the statistical average wage rises. Although there is a lack of official data, it is estimated that there is a high probability in some Latin American countries. There has been a rise in average wages in a statistical sense, especially in countries with skyrocketing unemployment rates. Therefore, wage changes under the impact of the epidemic are not strictly comparable, and there is a tendency to underestimate the seriousness of the problem.

The proportion also increased from 8% to 10.6%. Under the impact of the epidemic, the poverty problem that has long plagued Latin America has become

More serious

(3) Informal employment and skills structure

Since statistical data are available, the proportion of informal employment in Latin America (the informal employment population accounts for the total

(% of employed population) has never been lower than 45%. Characterized by They are employed in jobs with low wages and lack of social security

by low-productivity sectors. In 2019 before the outbreak, the informal employment ratio in Latin America

Up to 56.4%, The number of employed people is 16.4 billion. The already vulnerable informal workers are also affected by this round of COVID-19.

The group that has been hardest hit by the epidemic. Compared with data from the same period, Chile's informal sector in the second quarter of 2020

Employment fell by 35.3%, in Brazil by 200%, and in Paraguay by 10.5%. Costa Rica dropped 31.4%, -bar

During the same period, the total employment rate in each country decreased by 200%, 201% and 8.8%.

201% and 8.8%

In Latin America, informal employment plays a countercyclical role to some extent.

When the economy is booming, the proportion of informal employment in the population decreases, and in times of economic crisis, employment from the formal private sector is absorbed.

The unemployed in the labor force. For example, under the impact of the "subprime" crisis and the European debt crisis in 2008-2009, although

GDP in Latin America has declined, but employment has maintained a growth of 11%, mainly due to the unemployment of unemployed workers.

people turn to informal employment. What is different from the past is the rapid shrinkage of informal employment during this epidemic.

is shrinking faster than total employment, which prevents most workers who have lost their jobs from converting into informal employment.

The reasons for this are: first, the number of jobs has dropped sharply in a short period of time; second, the widespread adoption of measures to prevent the epidemic

Social distancing policies have a greater impact on practitioners with lower levels of education and skills—in

Among Latin American informal workers, 64.4% have never gone to school or have only received primary education.

The epidemic has also quietly changed the skill demand structure of the labor market in Latin America. In low-skilled positions,

In terms of employment, low-skilled jobs employed 82 million people in 2019, accounting for 28.3%. In 2020, low-skilled jobs accounted for 28.3% of the total.

In 1972, the International Labor Organization proposed the concept of "Informal Sector". The 2003 International Statistical Conference

Formal inclusion of informal employment statistics into the scope of international statistics. See Ralf Hussmans, Defining Informal Employment and

Formal inclusion of informal employment statistics into the scope of international statistics. See Ralf Hussmans, Defining Informal Employment and

Formal inclusion of informal employment statistics into the scope of international statistics. See Ralf Hussmans, Defining Informal Employment and

Gao Qingbo: "Latin American Labor Market and Informal Employment", in "Latin American Studies", Issue 4, 2010, pp. 49-54.

The data is queried from ILOSTAT

The data is queried from ILOSTAT

The data is queried from ILOSTAT

The number of skilled jobs decreased by 8 million, accounting for 28.2% of the total employed population. In middle-skilled positions

The total number of medium-skilled jobs in 2019 was 14.8 billion, accounting for 51% of the total number of jobs. In 2020, the number of medium-skilled jobs decreased by 16 million, accounting for 51% of the total number of jobs. In 2019, the total number in high-skilled positions

of high-skilled jobs was 60 million, accounting for 207%. In 2020, the number of high-skilled jobs dropped by 3 million, but their proportion in the total number of jobs increased to 21.7%.

During the epidemic, although "social distance" policies are being used almost all over the world, not all jobs can be worked from home - the more low-wage, low-skilled, and low-educated workers are, the more affected they will be by the epidemic. For the vast majority of workers working in the informal economy, working from home has never been a realistic option. While the epidemic has worsened the overall labor market situation, it has also increased the degree of differentiation in the labor market.

2. Main labor policies in response to the epidemic in Latin American countries

During the epidemic, although the health measures and socioeconomic policy models of Latin American countries in response to the crisis varied from country to country, in the labor market, the emergency policies of each country were basically the same, mainly consisting of various forms of job retention policies and employment subsidies. Policy composition:

(1) Job Retention Policy During the

epidemic, the blockade and isolation policies adopted to prevent the epidemic directly interrupted labor activities. Under this situation, it is necessary to allow as many employees as possible to stay in their jobs, maintain the employment relationship, and maintain workers' income. The job retention policy has become a natural choice for Latin American countries. It should be noted that the job retention policy adopted by Latin America during the epidemic is not a new policy. This policy is essentially part of the traditional (negative) employment policy. There were many successful cases during the global financial crisis in 2009. Economic crises occurred frequently in Latin America, and most countries had some experience in implementing job retention policies. In the sudden outbreak of the COVID-19 crisis, this policy was once again used urgently and expanded. Coverage:

Argentina has adopted a direct payment subsidy approach and banned layoffs and forced vacations. Brazil has authorized companies to significantly reduce working hours and maintain wages unchanged within a certain period of time. Colombia, Costa Rica, Peru, Dominica, El Salvador, Paraguay, and Trini Both Darfur and Tobago are

Other translations of the term "job retention" include job retention, job maintenance, etc.

<https://www.ilo.org/wcmsp5/groups/public> [2021-12-12]

Enterprises or employees provide direct cash transfers. In terms of funding sources, in addition to finance at all levels, some countries have made use of existing social security projects²³. For example, Paraguay implements subsidy policies through the Social Security Institution (IPS), and Peru implements subsidy policies²⁴. Using funds from social health insurance (ESSalud), Argentina allows companies to reduce pension contributions by 90% to 95% (see Table 1).

Table 1 Wage subsidy policies adopted by nine Latin American countries during the COVID-19 epidemic

nation	main content
Argentina issues wage subsidies, bans dismissals and compulsory leave, and reduces pension plan (SIPA) contributions by 90% to 95%	
Brazil	Authorized companies can reach an agreement with individuals to reduce working hours to 25% of original working hours , 50% or 70% , while keeping wages unchanged (up to 90 days), and allow up to 60 days of leave.
Colombia	Employers can apply for a subsidy equivalent to 40% of the minimum wage for each contributor (PILA) between May and December 2020 by providing proof of income reduction of 20% or more. The upper limit of the number of employees applying is those registered in February of the same year. Number of people ²⁵
costa rica	Provide temporary income transfer payments to workers who have experienced a reduction in income, including being laid off, having their hours reduced, or being furloughed.
dominican	A cash transfer program that provides emergency relief to workers in the sectors most affected by the epidemic. The government provides each worker with a monthly cash transfer of 5,000 to 8,500 pesos (equivalent to 70% of salary).
El Salvador provides a 50% wage subsidy for employees of small and medium-sized enterprises and provides preferential financing to the informal sector.	
Paraguay	Provide suspension or vacation subsidies to workers whose income does not exceed twice the minimum wage. The cash transfer amount is equivalent to 50% of the minimum wage and is implemented by the Social Security Institution (IPS).
Peru	Furloughed workers can receive benefits through health insurance channels. In addition, private sector employers will receive a subsidy of not more than 35% of their employees' total monthly remuneration (up to a maximum of 1,500 soles per person).
Trinidad and Tobago	Provide employees affected by the epidemic with a monthly subsidy of 1,500 Trinidad and Tobago dollars for three months.

²³ For example, Argentina issues wage subsidies, bans dismissals and compulsory leave, and reduces pension plan (SIPA) contributions by 90% to 95%. Brazil Authorized companies can reach an agreement with individuals to reduce working hours to 25% of original working hours , 50% or 70% , while keeping wages unchanged (up to 90 days), and allow up to 60 days of leave. Colombia Employers can apply for a subsidy equivalent to 40% of the minimum wage for each contributor (PILA) between May and December 2020 by providing proof of income reduction of 20% or more. The upper limit of the number of employees applying is those registered in February of the same year. Number of people²⁵ Costa Rica Provide temporary income transfer payments to workers who have experienced a reduction in income, including being laid off, having their hours reduced, or being furloughed. Dominican A cash transfer program that provides emergency relief to workers in the sectors most affected by the epidemic. The government provides each worker with a monthly cash transfer of 5,000 to 8,500 pesos (equivalent to 70% of salary). El Salvador provides a 50% wage subsidy for employees of small and medium-sized enterprises and provides preferential financing to the informal sector. Paraguay Provide suspension or vacation subsidies to workers whose income does not exceed twice the minimum wage. The cash transfer amount is equivalent to 50% of the minimum wage and is implemented by the Social Security Institution (IPS). Peru Furloughed workers can receive benefits through health insurance channels. In addition, private sector employers will receive a subsidy of not more than 35% of their employees' total monthly remuneration (up to a maximum of 1,500 soles per person). Trinidad and Tobago Provide employees affected by the epidemic with a monthly subsidy of 1,500 Trinidad and Tobago dollars for three months.

In addition, Latin American countries have also expanded the scope of unemployment insurance payment and provided various forms of subsidies for reductions in work income caused by vacations (mandatory or in advance), suspension of working relationships, and reductions in working hours. For example, the governments of Chile and Uruguay Provide leave subsidies and bear half of the reduction in work income. In order to make up for the decline in work income, Colombia allows insured persons to withdraw funds from the unemployment insurance severance account, Costa Rica allows withdrawals from the unemployment insurance capital accumulation account, and Peru allows withdrawals from the unemployment insurance capital accumulation account. Funds are withdrawn from the Unemployment Insurance Working Years Fund (see Table 2).

²⁵ In the Chinese context, even the narrow sense of social security includes all social insurance projects including pension insurance. However, in the Latin American context, the term social security is basically equivalent to the pension insurance system. The term social security here is Chinese Social security in context. In the following article, Paraguay's social security institution is essentially a pension insurance institution (but its name is still a social security institution).

Table 2 Five Latin American countries' attempts to expand unemployment insurance payment coverage during the COVID-19 epidemic

nation	Eligibility criteria and benefits payments
Chile	Three special circumstances have been added to the qualifications: temporary closure of the company, vacation and temporary reduction of working hours. The benefit level of vacation remains the same as that of dismissal. The benefits of reduced working hours are shared between the employer and the insurance - the employer pays the work part, and the insurance covers it Half of the unworked part
Colombia	During the Colombian epidemic, part of the employee's income reduction can be made up by withdrawing part of it from the severance pay account.
Costa Rica	When wages fall due to factors such as the suspension of the employment relationship or the reduction of working hours, workers can withdraw funds from the accumulation of labor capital funds to make up for it.
Peru	Employees on leave are allowed to withdraw up to 2,400 soles per month from the length of service compensation fund.
Uruguay	Uruguay extends work suspension and reduced working hours to workers.

摘要: 本文研究了拉丁美洲五个国家在 COVID-19 疫情期间扩大失业保险支付覆盖范围的尝试。文章分析了智利、哥伦比亚、哥斯达黎加、秘鲁和乌拉圭的政策。智利增加了三种特殊情况：公司暂时关闭、休假和暂时减少工作时间。哥伦比亚在疫情期间，部分员工的收入减少可以通过从遣散费账户中提取部分来弥补。哥斯达黎加在工资因就业关系暂停或减少工作时间而下降时，工人可以从劳动资本基金的积累中提取资金来弥补。秘鲁允许休假的员工每月从工龄补偿基金中提取最高 2,400 索尔。乌拉圭将工作暂停和减少工作时间扩展到工人。

Ratings analyzed 22/1/30

In the first year of the COVID-19 outbreak in Latin America, various forms of job retention policies dominated labor market policies in various countries. It is estimated that these policies saved about 5 million jobs. Overall, although job retention policies Certain results have been achieved, but it is still far from the goal of eliminating the impact of the epidemic.

(2) Employment subsidies

After overcoming the initial impact of the epidemic, Latin American countries have gradually relaxed epidemic prevention policies to varying degrees. In order to restore normal labor market conditions as soon as possible, Latin America urgently needs to take measures to encourage the unemployed and non-labor force groups to re-engage in employment, and restore formal employment levels. To this end, some Latin American countries introduced employment subsidy policies in 2021, which are generally the same as the countermeasures adopted by developed countries. Employment subsidy policies provide various types of subsidies to companies that employ workers to reduce employment costs. Cost-effective labor policy, which aims to influence the labor market equilibrium by changing the employment costs of enterprises and improve the overall employment level of society. The Latin American employment subsidy project began in 2003 as the national work stimulus project implemented by Brazil. (PNPE), this project aims to enable first-time workers aged 16 to 24 to gain work experience.

During the epidemic, the focus groups of employment subsidy policies in different countries were obviously different. Argentina and the Bahamas focused on small, medium and micro enterprises. Argentina provided a 12-month subsidy for young workers newly hired by small and medium-sized enterprises. The Bahamas provided subsidies to small and micro enterprises employing less than 10 people. Businesses provide subsidies. Colombia focuses on

关键词: 失业保险; 就业补贴; 拉丁美洲; COVID-19 疫情
 基金项目: 国家社会科学基金青年项目(2107140000)

For light workers, the subsidy amount is 25% of the salary. Peru's employment subsidy obtains funds from the medical security fund, and the beneficiaries are private enterprises that hire new employees. Uruguay's employment subsidy consists of different policies for four groups of people: 1. It is a temporary subsidy for hiring unemployed youth. The second is a subsidy for hiring young workers (first-time workers). The third is a policy for college graduates and unemployed youth aged 15 to 29. There are two implementation methods: subsidies and paid training. Fourth It is the employment of other special vulnerable groups, including workers over 45 years old and people with disabilities. Chile provides cash subsidies to newly hired employees, employees returning to work from leave, and employers with the above situations. There are two subsidy qualifications. The requirements are clear. First, each enterprise must have a maximum of 199 people. Second, workers' wages must reach more than twice the minimum wage standard (see Table 3). This means that the purpose of Chile's employment subsidy policy is to rebuild formal employment relationships with a certain quality.†

Table 3 Employment subsidy programs in six Latin American countries

nation	Target groups	content	Replenish
Argentina	Small and medium-sized enterprises that employ workers aged 18 to 24 (with secondary education or above)	Provide new employees with a 12-month subsidy equivalent to 50% to 90% of the total salary. Among them, the per capita subsidy amount for micro enterprises is 18,000 pesos/month, for small enterprises 14,000 pesos/month, and for medium-sized enterprises 11,500 pesos/month. In addition † Social security contributions in the first year of employment are reduced by 95% (for women) and by 90% for men.	The program offers the possibility of integration with the previous training program - the Micro, Small and Medium Enterprises Program (MSME). MSME provides vocational training lasting several months.
Bahamas	Companies hiring new employees	Companies are able to claim VAT credits - up to BHD\$400 per employee per week. Applications are capped at 10 new employees.	The company must have good social security and tax reputation, and new employees must be hired full-time.
Chile	Employees with new employment contracts	This benefit is paid directly to eligible workers. Among them, 50% of the monthly gross salary for men between 25 and 55 years old, with a ceiling of 200,000 pesos; for women, young people between 18 and 24 years old, men over 55 years old, and persons with disabilities For disability pensioners, the subsidy amount is 60% of the gross monthly salary, subject to a maximum of 250,000 pesos.	From August 2021 to December of the same year, workers' wages must reach twice the minimum wage or more.
	Employers with furloughed employees returning to work (February-December 2021)	160,000 pesos per month for men aged 24 to 55 years, 200,000 pesos per month for women, young people between 18 and 24 years old, men over 55 years old, persons with disabilities and disability pensioners.	Maximum of 199 employees. The labor contract shall be effective before May 31, 2021. The workers' monthly salary is 3 times the minimum wage or more and they have taken leave in accordance with the Employment Protection Law.

†

