

# Informality & Social Inclusion in the Times of COVID-19

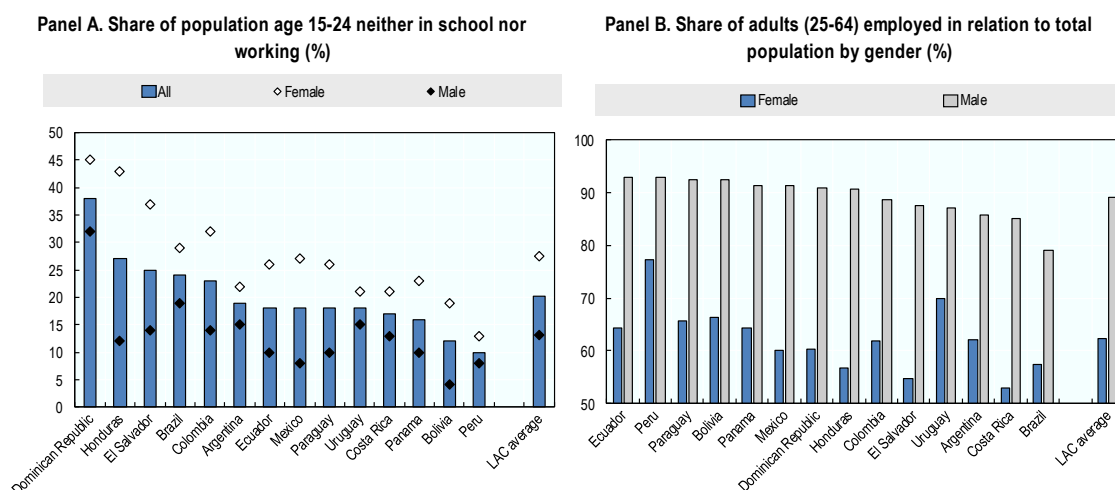
## SESSION 2

### RESUMING EMPLOYMENT AND GROWTH WITH BETTER OPPORTUNITIES FOR VULNERABLE GROUPS (WOMEN, MIGRANTS, INDIGENOUS GROUPS AND YOUTH)

**Development of an inclusive labour market has been for a long time an important element in the policy agenda of countries in Latin America and the Caribbean.**

Labour market and social inclusion were established as key elements of the OECD's contribution to expand regional policy reflections in the publications *Enhancing Social Inclusion in Latin America: Key Issues and the Role of Social Protection Systems* (OECD, 2017) and the *Latin American Economic Outlook 2019 on Development in Transition* (OECD et al., 2019). This entails using the best evidence-based analysis and policy practices available to move forward a comprehensive agenda to promote formal jobs in the region. The COVID-19 related crisis in Latin America and the Caribbean will affect the most vulnerable group of workers and hinder the creation of better quality and better-paid jobs. It compounds the need to focus support on the areas that are most relevant for social inclusion and particularly on certain socio-demographic groups at a high risk of being left behind. These include women and youth (Figure 1), and more broadly the poor (often indigenous) populations who live in remote areas or metropolitan fringes. **These groups tend to be over-represented in sectors that have been particularly hit by the pandemic, such as retail, hospitality and tourism<sup>1</sup>.**

**Figure 1. Youth and women keep being excluded from the labour market, 2018 or last year available**



Source: OECD Development Centre calculations based on tabulations from SEDLAC (CEDLAS and the World Bank).

**Policy options going forward have to include the efforts to address a range of group challenges systematically, with the youth population being first priority.**

Close to one in every five youths in the LAC region are expected to be unemployed in 2020, double the general rate and three times more than that of adults<sup>2</sup>. Addressing this will involve continuing the efforts in most LAC countries to increase the enrolment and learning performance of students of disadvantaged backgrounds. This will be even more important following the COVID-19 crisis, which has forced 95% of enrolled children in the region temporarily out of school<sup>3</sup>. In response to the crisis, many LAC countries have expanded access to conditional cash transfer programmes. This is a welcome development

<sup>1</sup> World Bank (2020) >>

<sup>2</sup> ILO (2020) >>

<sup>3</sup> UNICEF (2020) >>

and should be expanded to offset the financial and opportunity cost of sending children to school. In remote areas, this will need the support of initiatives to potentiate the branchless banking network. The programmes devised to inform families and students about the benefits of education could also be scaled up, as a way of reducing school dropouts and the related high incidence on child labour and the role that girls play in unpaid caring activities within households. More broadly, ongoing efforts to improve school quality should continue and scaled-up where needed. The transition from school to work is challenging for many youths in Latin America. In the context of the recovery from the crisis, greater efforts should be made to give opportunities to youth to access quality jobs, as well as their engagement in entrepreneurial activity.

***One important policy priority on the way forward must be strengthening the opportunities for women to reach their potential in society and in labour markets.***

Women in the LAC region face barriers to participate in society and the economy, including inequality in unpaid care activities and pervasive gender stereotypes. Women spend three times as long as men in unpaid domestic and care work each day in the region.<sup>4</sup> **COVID-19, through school closures and the additional strain on families, has exacerbated this situation further by imposing extra care duties on them and rendering work-life balance during confinement even more difficult.** Governments can do more to level the playing field by strengthening support for early childhood education and care. Policies such as increasing fathers' leave when children are born can help but also norms and practices around the gender distribution of paid and unpaid work need to be changed. Tackling discriminatory attitudes through gender awareness training and media programmes, along with full endorsement of girls' education by community leaders is key. Incentives to delay early marriage and curb teenage pregnancies are also critical to keeping adolescent girls in school. **The context of COVID-19 has shown the importance of embedding such policies in a strong effort to fight violence against women at all levels: in the domestic sphere, public transports, schools and workplaces.**

***Many LAC countries have become new destination countries for migration, and these migrants are often in a particularly vulnerable situation.***

With the crisis in Venezuela alone, more than 4.3 million people have been displaced to other countries across the region. Migration in the region was initially seen by many as temporary, but it is now more clear that it will be there to stay and their labour market integration is increasingly in focus. Even though there are few language obstacles, integration is not necessarily automatic and there is relatively little experience with the issue within the region. Furthermore, **shutdowns to manage COVID-19 have also had an important impact on sectors that have tended to employ migrants such as restaurants, hotels and shops, which has further underscored their vulnerability**<sup>5</sup>. This vulnerability is linked with a variety of factors, including irregular migrant status and high informality in the labour market. What is more, even where the formal access to support services exists, de facto access is very limited. In some countries, for instance foreigners who do not have an employment contract cannot access the health system<sup>6</sup>, a risk in the context of the current crisis. Taking stock of the qualifications and skills is a necessary first step for better using actual skills and more generally, for labour market inclusion. Not only vulnerable immigrants, but also the native-born population would benefit from better procedures to assess prior learning and skills. More generally, inclusion measures should not come at the expense of the vulnerable host-country population, but rather be designed to benefit them as well. Indeed, this is even more relevant in the current COVID-19 context. To tackle the risk of a (further) backlash in public opinion, facts-based communication and heightened awareness regarding discrimination will also be key.

***Combating discrimination against indigenous populations should also be an integral part of the regional policy agendas to support the most vulnerable groups.***

Across LAC countries indigenous people generally experience high levels of poverty and socio-economic disadvantages, which are worse in rural areas. The region has an estimated 50 million indigenous people,

---

<sup>4</sup> ECLAC (2020) >>

<sup>5</sup> UNDP (2020) >>

<sup>6</sup> UNDP (2020) >>

or 8%<sup>7</sup> of the population, and in some countries illiteracy rates among this group can reach 60%<sup>8</sup>. Children of indigenous origins face a particularly high risk of dropping out from school while in early ages. A case can be made that education policies should play an important role to combat discrimination against indigenous populations by improving the implementation of bilingual education programmes, for example. **COVID-19 also highlights the importance of being able to reach these populations to ensure they have access to adequate information and mechanisms to manage the spread of the virus.** Even when there are relatively few cases, 50% of indigenous adults over 35 years of age suffer from Type 2 diabetes and life expectancy is already 20 years less than in the rest of the population, which underscores their vulnerability. In addition, beyond the COVID-19 context, labour market policies should include setting out specific targets for indigenous people in activation programmes and increasing their share among PES caseworkers. Opportunities for rural populations to engage in local entrepreneurial activities should also be boosted.

***Labour market and social policies can make a significant contribution to deal with the high and persistent unemployment and social costs triggered by the COVID-19 virus.***

At the time of writing, the Coronavirus pandemic is causing large-scale losses of life and severe human suffering globally and in the LAC region in particular. **Containing the pandemic and protecting people is the top priority, along with providing immediate employment and social-policy responses.** With the anticipated economic contraction, unemployment across the region is expected to reach 11.5% in 2020 and those living in poverty to rise to 34.7% of the population<sup>9</sup>. **Income support to the most vulnerable families is an immediate priority, but early evidence suggests that accessibility is key.** Digital delivery capabilities could allow direct government-to-person payments to verifiable identities where direct bank transfers are not an option even if challenges remain in reaching the most vulnerable. The COVID-19 crisis has also provided a catalyst to re-think the means to ensure timely income support to the most vulnerable. In the framework of their programme “*ingreso solidario*” for example, Colombia has implemented two income support transfers to 2 million families<sup>10</sup> contributing at the same time to financial inclusion.

Likewise, more than 6 in 10 households in the lowest per-capita income quintile do not have access to high-speed broadband for instance<sup>11</sup>. At the same time, we know that the effects of the virus and of containment measures differ across population groups, according to age, gender and socio-economic backgrounds. As noted above, **women and youth will likely be impacted more severely by the shutdowns in a number of sectors where they are typically over-represented, such as restaurants, hotels, passenger transport, personal care services and leisure services.** Reflecting the disproportionate representation of low-income and part-time workers, these groups have entered the current period of financial pain in a less robust state than regular, more protected, workers. 57.9% of the region’s workers are considered to be employed in medium-high or high risk sectors<sup>12</sup>. Lower-income women furthermore, participate heavily in paid domestic and care activities, and are thus at a much higher risk of either being exposed to the virus, if they continue working, or of losing their job. The OECD, along with other international organisations, is also concerned that confinement measures and their economic fallout may lead to increased violence against women and children and decreased possibilities for victims to escape. There are already indications of a significant increase in reports of domestic violence and murders of women and girls across the region following the shutdowns to help control the virus<sup>13</sup>.

***The LAC region requires a comprehensive policy approach to tackle the difficulties that many workers face in fully integrating the world of work.***

**Governments will have to play a decisive role to bolster the economic, regulatory and administrative prerequisites to foster quality jobs and produce better outcomes for workers, by providing the right activation and social incentives to seek employment and equipping them with relevant skills.**

---

<sup>7</sup> UNDP (2020) >>

<sup>8</sup> Council of Hemispheric Affairs (2016) >>

<sup>9</sup> ECLAC (2020) >>

<sup>10</sup> Departamento Nacional de Planeación (DNP), Colombia >>

<sup>11</sup> OECD (2020) >>

<sup>12</sup> ECLAC (2020) >>

<sup>13</sup> World Bank (2020) >>

Although these are pre-existing challenges, the latest pandemic-induced social and economic emergency shines a new light on some of the policy priorities to limit current and future sources of job and income insecurity. The OECD has identified the following options for consideration by LAC policy makers:

- Ensuring that incentives to the private sector do not alter economic activity in unintended ways, particularly by exacerbating the effects of strong sized-based thresholds. These thresholds encourage small and medium sized enterprises to remain small, hindering job creation.
- Expanding and increasing the efficiency of the public employment services (PES) by strengthening, for example, recruitment and training programmes for caseworkers.
- Extending access to unemployment benefits to disadvantaged groups, or considering one-off payments to affected workers would help limiting current and future income insecurity propelled by the COVID-19 crisis. Going forward, unemployment benefit schemes could be re-designed to involve a common solidarity fund, which could be combined, where conditions permit, with a system of individual saving accounts, while also including elements to encourage job searching.
- Improving social assistance programmes, - particularly to women, youth and indigenous populations, while at the same time making reciprocity conditional upon active job searching once the COVID-19 crisis is overcome.
- Ensuring an adequate supply of skills and maximising the use of those skills in the workforce, which is a key to boosting economic growth and promoting social inclusion, especially in an environment of increased global competition and societal change resulting from aging populations.
- Strengthening the role of policy co-ordination to achieve better outcomes by expanding horizontal collaborations among ministries and vertical collaborations across levels of government. This includes with regard to educational and vocational training policies to raise skills outcomes.
- Securing a framework of strong social dialogue to improve labour market policies and to reduce the dualism typically met in the labour market between regular and non-regular workers. This will be particularly important to encourage employers to hire young workers.

**Questions for discussion:**

- *What measures have LAC countries adopted with a focus on supporting the most vulnerable who have borne a disproportionate share of the burden of the pandemic?*
- *What policy tools do LAC countries have at their disposal to support the labour market inclusion of the groups most exposed to the risk of being left behind and their access to better quality and better paid jobs?*
- *How are these tools being challenged by the fallout of the COVID-19 virus? How can social innovation help responding to new challenges, for example by increasing the recourse to digital payments?*

**Additional Reference Material from the OECD:**

- COVID-19 in Latin America and the Caribbean: Regional socio-economic implications and policy priorities, OECD, April 2020 - <http://www.oecd.org/coronavirus/policy-responses/covid-19-in-latin-america-and-the-caribbean-regional-socio-economic-implications-and-policy-priorities-93a64fde/>
- Latin American Economic Outlook 2019: Development in Transition, 2019, OECD/CAF/ECLAC/EU - <https://www.oecd.org/publications/latin-american-economic-outlook-20725140.htm>
- Enhancing Social Inclusion in Latin America: Key Issues and the Role of Social Protection Systems, OECD, 2018 - <http://www.oecd.org/latin-america/regional-programme/Enhancing-Social-Inclusion-LAC.pdf>

### **Additional Reference Material from LACRP partners and others:**

- *¿Qué efectos tendrá la COVID-19 sobre el empleo de América Latina y el Caribe?*, IADB, April 17 2020 blog entry - <https://blogs.iadb.org/trabajo/es/que-efectos-tendra-la-covid-19-sobre-el-empleo-de-america-latina-y-el-caribe/>
- *COVID-19 Could Worsen Gender Inequality in Latin America and the Caribbean*, World Bank, May 15 2020 feature story - <https://www.worldbank.org/en/news/feature/2020/05/15/covid-19-could-worsen-gender-inequality-in-latin-america-and-the-caribbean>
- *Unemployment, informality and inactivity plague youth in Latin America and the Caribbean*, ILO, 16 March 2020 press release - [https://www.ilo.org/caribbean/newsroom/WCMS\\_738634/lang-en/index.htm](https://www.ilo.org/caribbean/newsroom/WCMS_738634/lang-en/index.htm)
- *COVID-19: More than 95 per cent of children are out of school in Latin America and the Caribbean*, UNICEF, 23 March 2020 press release - <https://www.unicef.org/press-releases/covid-19-more-95-cent-children-are-out-school-latin-america-and-caribbean>
- *Employment Situation in Latin America and the Caribbean (Number 22) – Work in times of pandemic: the challenges of the coronavirus disease COVID-19*, ECLAC/ILO, May 2020 - [https://repositorio.cepal.org/bitstream/handle/11362/45582/1/S2000306\\_en.pdf](https://repositorio.cepal.org/bitstream/handle/11362/45582/1/S2000306_en.pdf)
- *Situation of migrants in Latin America within the COVID-19 context*, UNDP, 19 May 2020 blog entry - <https://www.latinamerica.undp.org/content/rblac/en/home/blog/2020/la-situacion-de-los-migrantes-en-america-latina-en-el-contexto-d.html>
- *United Nations Reminds the World of the Indigenous Education Gap*, Council on Hemispheric Affairs, 17 August 2016 blog entry - [http://www.coha.org/united-nations-reminds-the-world-of-the-indigenous-education-gap/#\\_ftn10](http://www.coha.org/united-nations-reminds-the-world-of-the-indigenous-education-gap/#_ftn10)
- Hernando de Soto (2020), *A plan to use COVID-19 as an opportunity to accumulate capital instead of debt*, [https://www.dropbox.com/s/xmhxfd3ptmrmzx2/OECD\\_DeSoto%20Doc1\\_English\\_2020-07-09.pdf?dl=0](https://www.dropbox.com/s/xmhxfd3ptmrmzx2/OECD_DeSoto%20Doc1_English_2020-07-09.pdf?dl=0)