

The distribute impact of labour market and cash transfer policies during the COVID-19 pandemic in Latin America

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Motivation

- Latin America was one of the regions most strongly affected by the COVID-19 pandemic. -7% GDP, -10% employment in 2020.
- At the outbreak of the COVID-19 pandemic the region was going through a five-year period of slowdown or reversal of improvements in the labour market performance that characterized previous years.
- Atypical behaviour that informal employment has had during this crisis.
- Previous evidence on the impact of COVID-19 in LACs (Lustig et al, 2020, 2021; Lopez & Ruiz-Arranz, 2020; Busso et al., 2020; Berniell & de La Mata, 2021; Acevedo et al, 2022)
 - Ex-ante analysis (based on counterfactuals)
 - Ex-post short-term impacts
 - Global evaluation of the labour market and social policies

Objective and contributions

Assess the dynamics of labour and family incomes, and of inequality and its source since the onset of the pandemic in six Latin American countries: **Argentina, Brazil, Colombia, Costa Rica, Peru and Uruguay.**

Contributions:

- Assessment of the **evolution of income distribution during a large period** including contrasting phases.
- Evaluation of the **role of different income sources** by differentiating the effect of the evolution of formal and informal employment, as well as the role of cash transfers.
- **Data for six countries.** More than 50% of the total population in the region; broad picture of the impacts of COVID-19 in Latin America.
- Ex-post evaluation. **Distributive changes actually observed** without resorting to assumptions or microsimulations. Analysis of public policies put in place.
- Particular attention to the **dynamics of labour informality and its impacts on inequality.**

Data, methodology and measurement of informality

Microdata from regular household / employment surveys:

Argentina. Encuesta Permanente de Hogares (EPH)

Brazil. Pesquisa Nacional por Amostra de Domicílios Contínua (PNADC)

Colombia. Gran Encuesta Integrada de Hogares Contínua (GEIH)

Costa Rica. Encuesta Continua de Empleo (ECE); Encuesta Nacional de Hogares (ENAHO)

Peru. Encuesta Nacional de Hogares (ENAHO)

Uruguay. Encuesta Continua de Hogares (ECH)

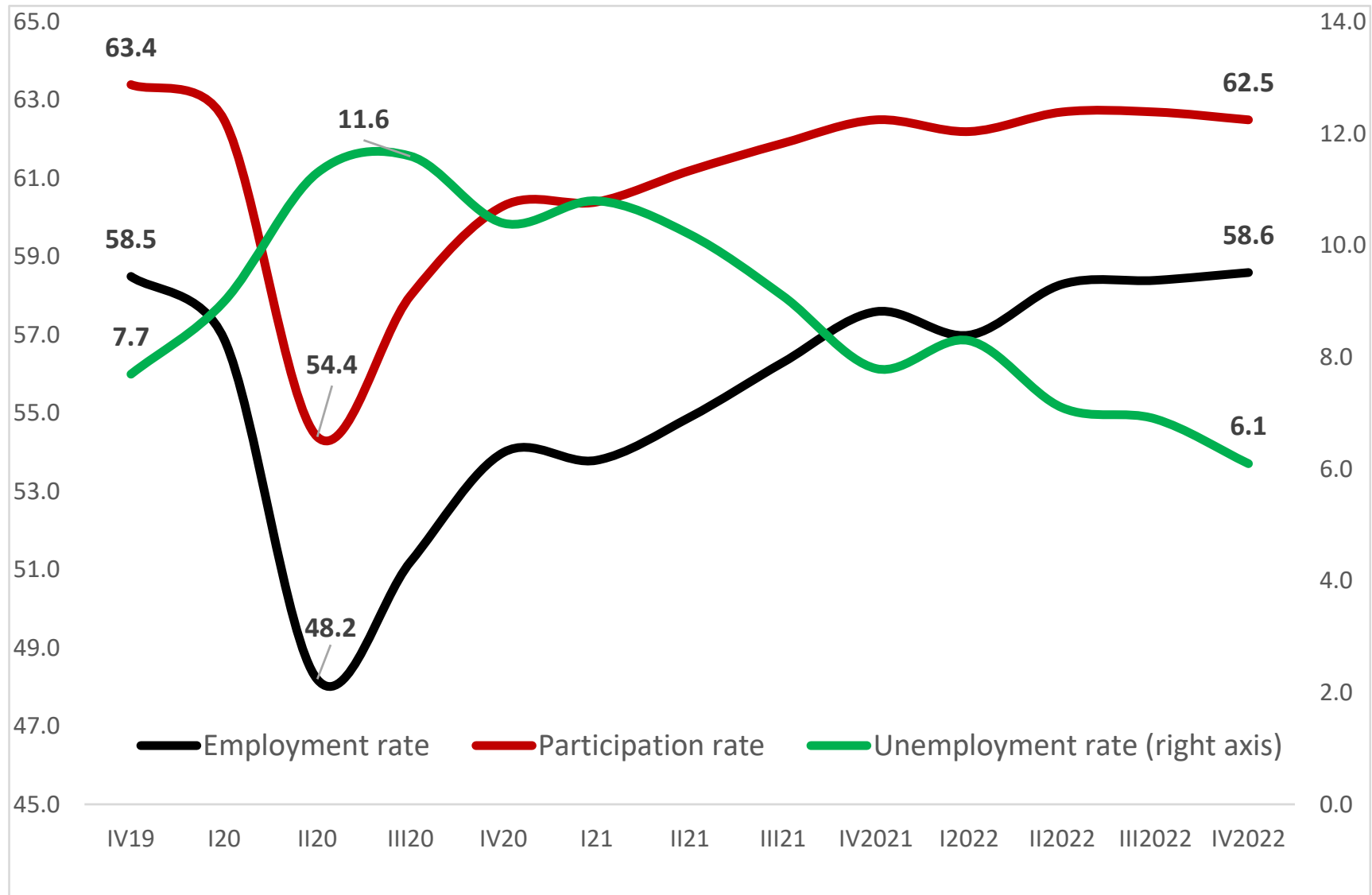
Period: IVQ2019 - IVQ2022.

Methodology: analysis of different indicators of inequality (Gini, Theil, ratio btwn percentiles). Analysis of changes in total incomes and its sources by quintiles. Decomposition of the Gini variation by income sources.

Measurement of informality. Based on the recommendations of the ILO/Conferences of Labour Statisticians (CIET).

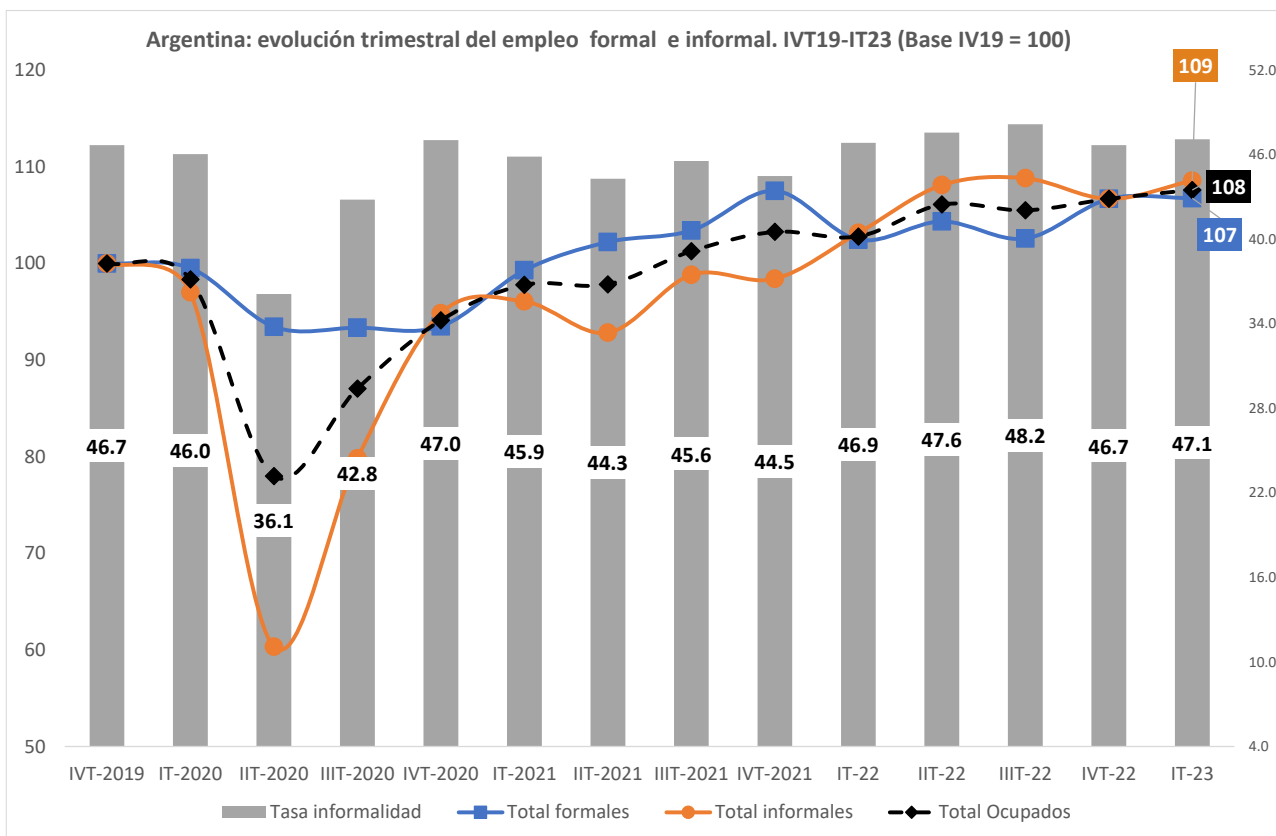
- **Informal employees** are those in jobs not subject to national labour or social security regulations.
- **Informal non-salaried workers** are those carrying out activities in the informal sector, i.e., people who work in units that are not registered in certain institutions (as tax agency) that are required for them to operate.

Evolution of the main labour market indicators (IVQ 2019 - IVQ 2022)

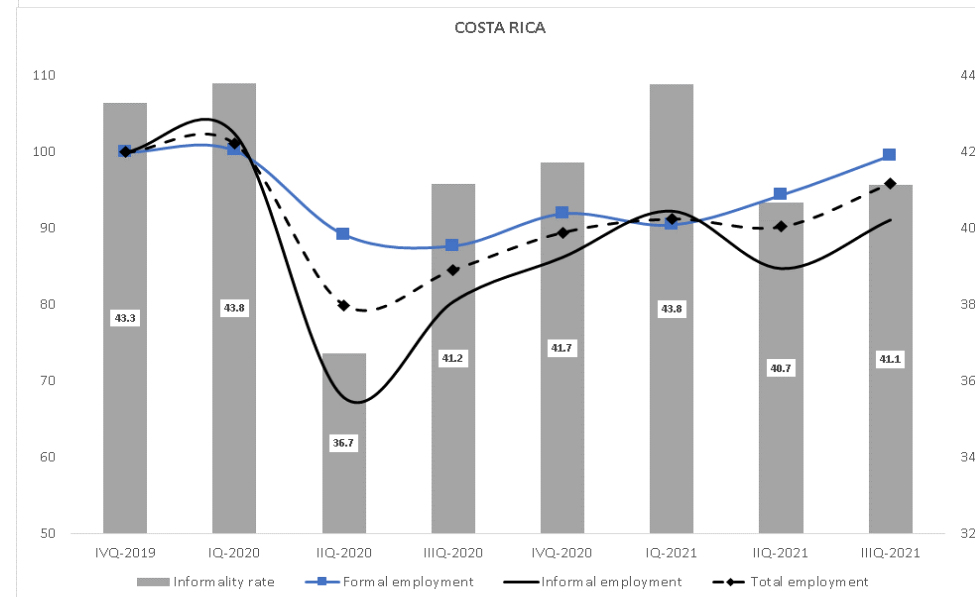
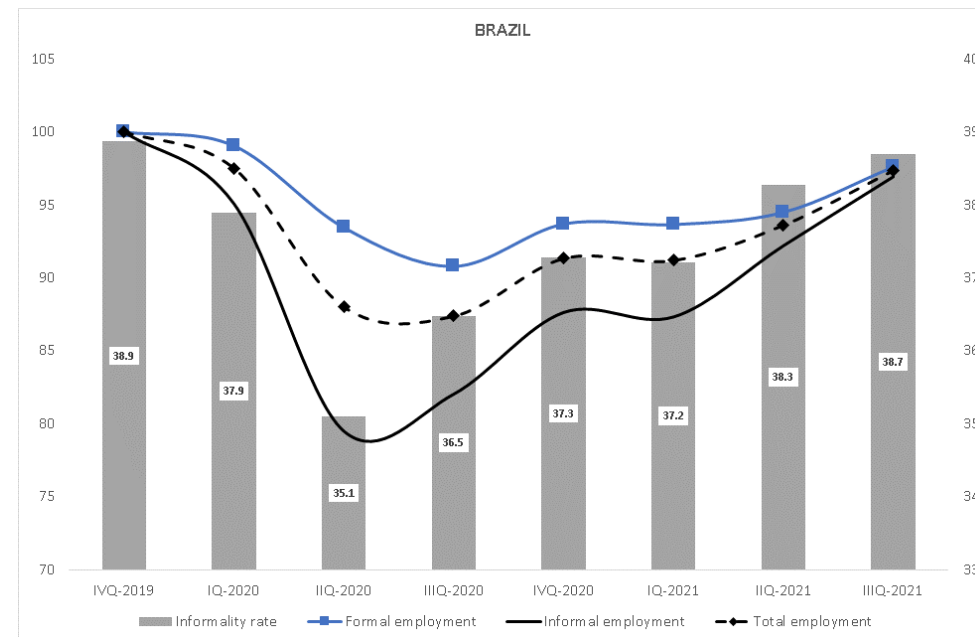


Two contrasting subperiods. Full recovery of regional employment and partial recovery of labour participation.

Evolution of total employment, informal and formal employment and informality rate

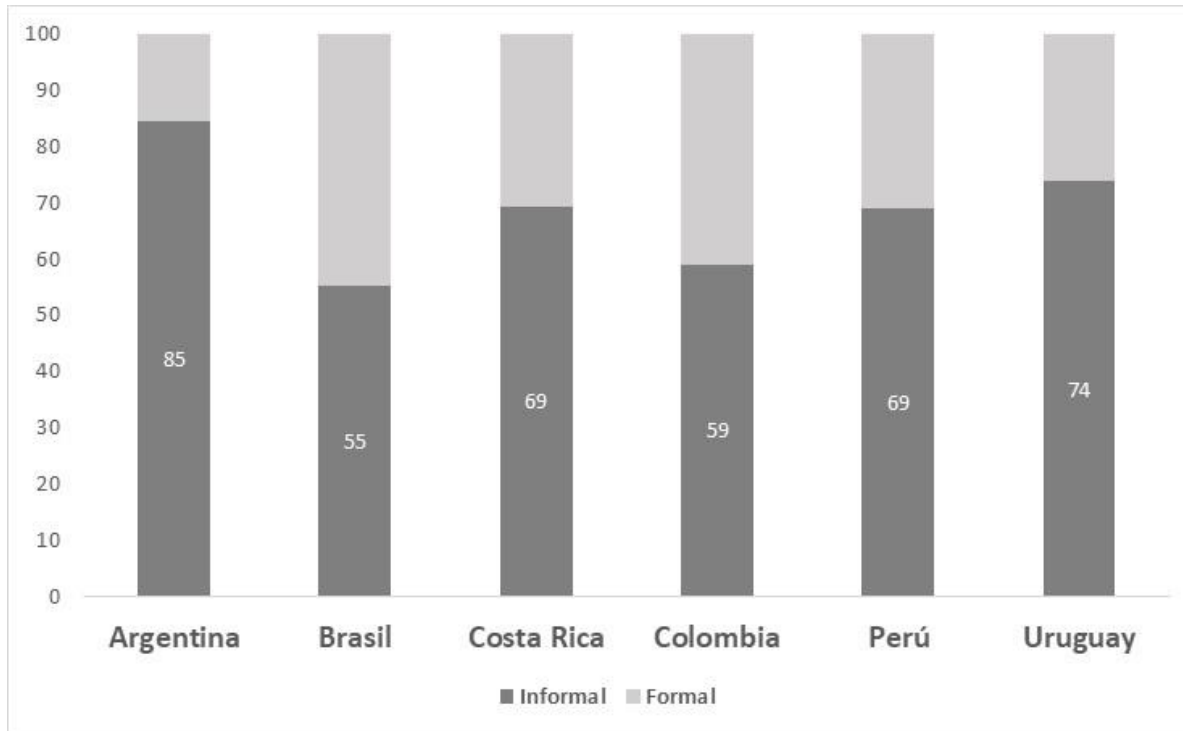


Traditional mechanism weakened:
 unlike previous crises, labour informality did not play the traditional counter-cyclical role.
Temporary drop in the informality rate.

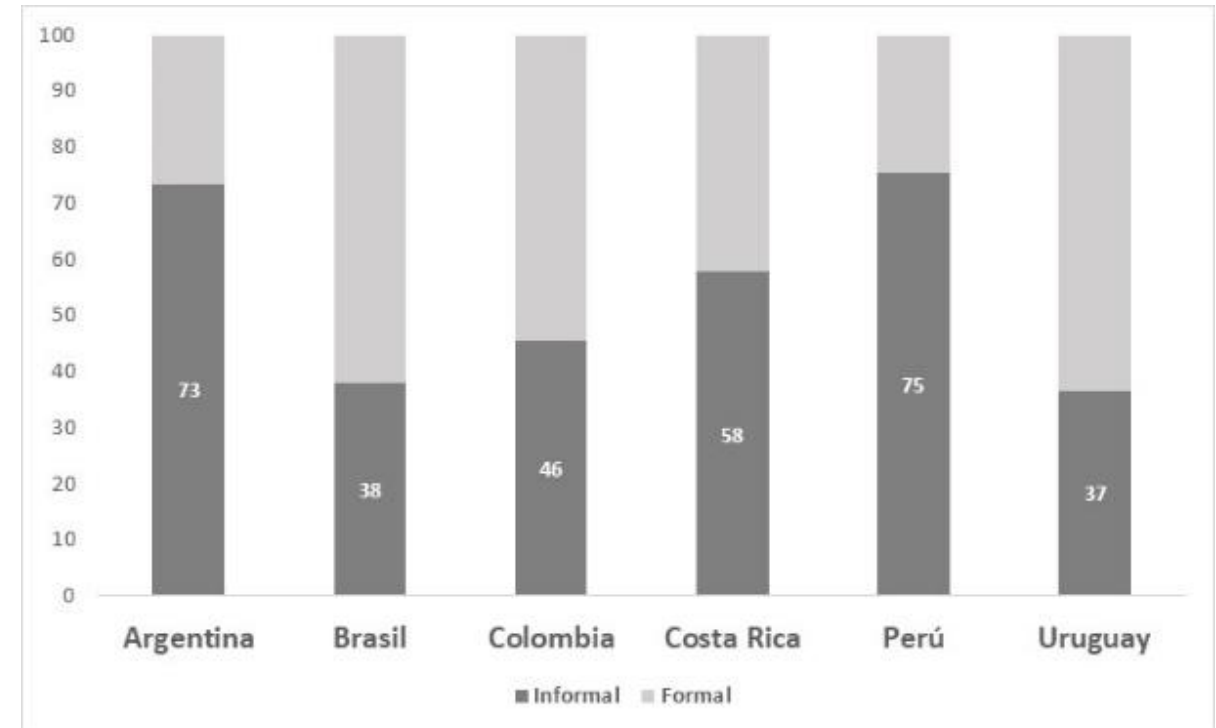


Contribution of formal and informal employment to total employment

Contraction phase (IVQ2019-IIQ2020)



Recovery phase (IIQ2020-IVQ2022)



Public policies implemented to support employment and income

	Retention of employment	Economic security for the unemployed	Economic security for vulnerable families and individuals
Instruments	<ul style="list-style-type: none"> - Payroll subsidies - Unemployment insurance to cover temporary “suspensions” and reductions in working hours - Additional measures 	<ul style="list-style-type: none"> - Contributory unemployment insurance 	<ul style="list-style-type: none"> - Conditional / unconditional cash transfers - Ingreso Familiar de Emergencia (Argentina) - Auxílio Emergencial (Brazil) - Programa de Ingreso Solidario (Colombia) - Bono Proteger (Costa Rica) - Yo Me Quedo en Casa (Peru) - Canasta de Emergencia Alimentaria (Uruguay)
Target groups	- Fomal workers	- Unemployed	- Poor families, unemployed, inactive, informal workers, people with no or low incomes regardless of their work status

Percentage change of total labour incomes

	Contraction phase (IVQ2019-IIQ2020)*	Recovery phase (IIQ2020- IVQ2022)**	Net Variation
Argentina			
Total labour income	-21.4	22.5	-3.8
Formal income	-10.7	6.1	-5.3
Informal income	-50.7	103.4	0.3
Brasil			
Total labour income	-7.5	8.9	0.7
Formal income	-4.6	6.2	1.2
Informal income	-18.3	20.9	-1.1
Colombia			
Total labour income	-18.7	21.6	-1.2
Formal income	-14.4	12.3	-3.8
Informal income	-26.9	40.3	2.5
Costa Rica			
Total labour income	-20.2	17.3	-6.4
Formal income	-15.9	12.5	-5.4
Informal income	-40.6	49.5	-11.2
Peru			
Total labour income	-59.9	117.1	-12.9
Formal income	-53.6	69.2	-21.5
Informal income	-68.8	217.3	-0.9
Uruguay			
Total labour income	-2.4	2.2	-0.2
Formal income	-0.2	1.2	1.0
Informal income	-21.7	14.2	-10.6

Reduction in total labour incomes during the first half of 2020. Greater intensity among incomes from informal jobs

Increase in total labour incomes during the recovery phase. Greater intensity among incomes from informal jobs

Insufficient labour incomes recovery

Percentage change of total family incomes

	Contraction phase (IVQ2019- IIQ2020)*	Recovery phase (IIQ2020- IVQ2022)**	Net Variation
Argentina			
Total	-16.8	8.2	-9.9
Labour income	-21.4	22.5	-3.8
Cash Transfers	193.4	-56.8	26.8
Brazil			
Total	-8.9	3.9	-5.4
Labour income	-9.4	10.0	-0.3
Cash Transfers	216.3	-42.3	82.5
Colombia			
Total	-16.3	17.3	-1.9
Labour income	-18.7	21.6	-1.2
Cash Transfers	52.2	50.6	129.2
Costa Rica			
Total	-11.3	8.1	-4.2
Labour income	-20.2	17.3	-6.4
Cash Transfers	203.8	-69.6	-7.5
Peru			
Total	-54.7	89.0	-14.4
Labour income	-59.9	117.1	-12.9
Cash Transfers	190.5	-74.2	-24.9
Uruguay			
Total	-2.1	2.1	0.0
Labour income	-2.4	2.2	-0.2
Cash Transfers	28.6	-24.1	-2.4

Significant increase in cash transfers.
However, they were not enough to offset the drop in labour incomes.




Opposite behaviors in the recovery phase.




Contraction phase IV2019-II2020

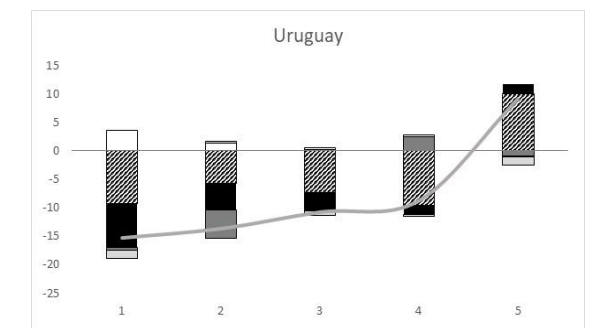
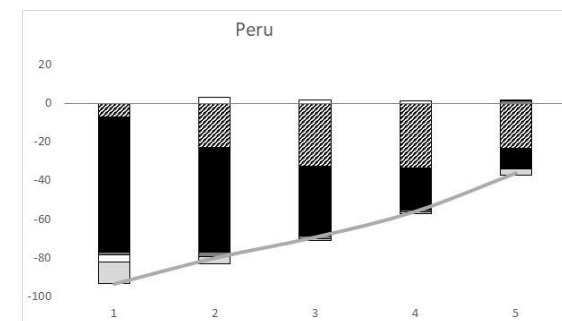
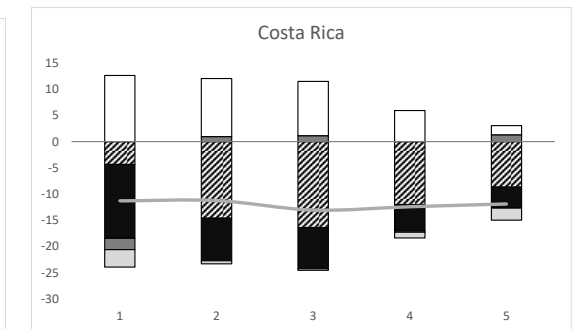
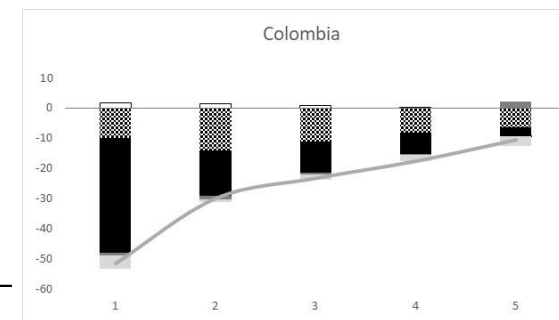
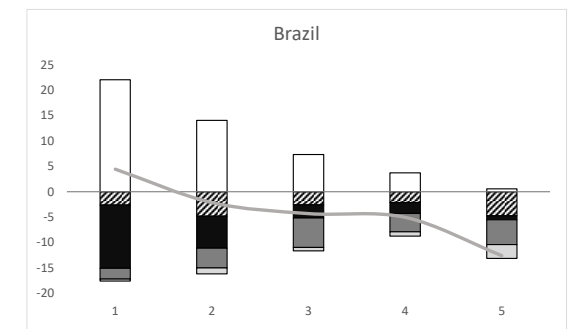
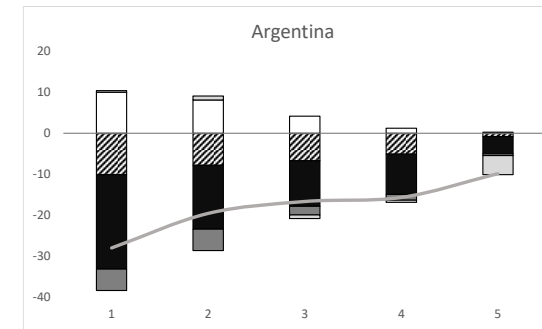
Changes in total per capita family income and its sources by income quintiles

Decomposition of Gini variation by income sources

Source	Argentina	Brazil	Colombia	Costa Rica	Peru	Uruguay
Total labour incomes	4.4	0.5	4.4	2.2	17.8	5.4
Formal	1.9	-0.4	1.9	1.4	9.2	3.8
Informal	2.5	0.9	2.4	0.7	8.5	1.6
Cash transfers	-2.3	-3.1	-0.4	-2.3	-1.3	-0.5
Pensions	0.9	-0.3	1.2	0.4	1.4	0.2
Other incomes	-1.0	-0.5	-0.3	-0.3	-0.2	-0.2
Gini variation (pp)	2.0	-3.3	4.9	-0.1	17.7	4.9

 Formal income
 Cash transfers
 Other incomes

 Informal income
 Pensions
 Total per capita family income

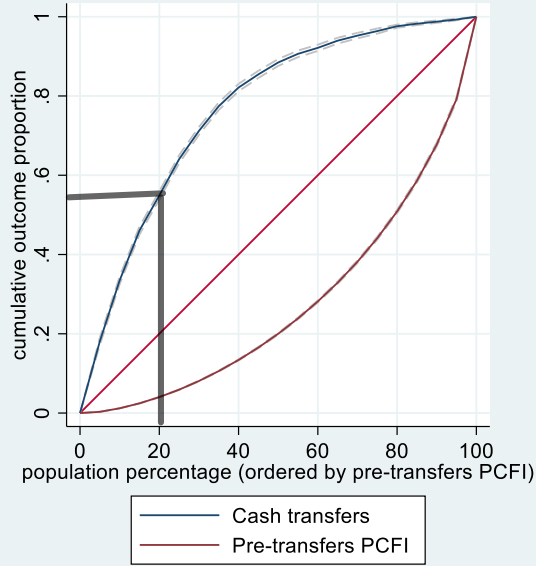


Progressivity of cash transfers. IV2019-II2020

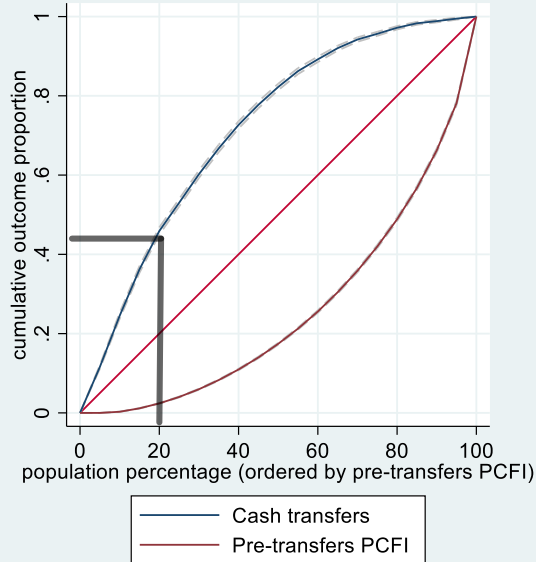
Argentina

2019

Kakwani's
prog. index
from -0.54
to -0.43



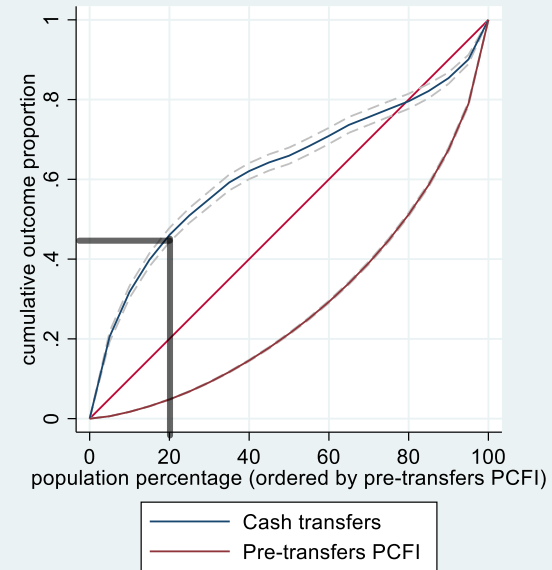
2020



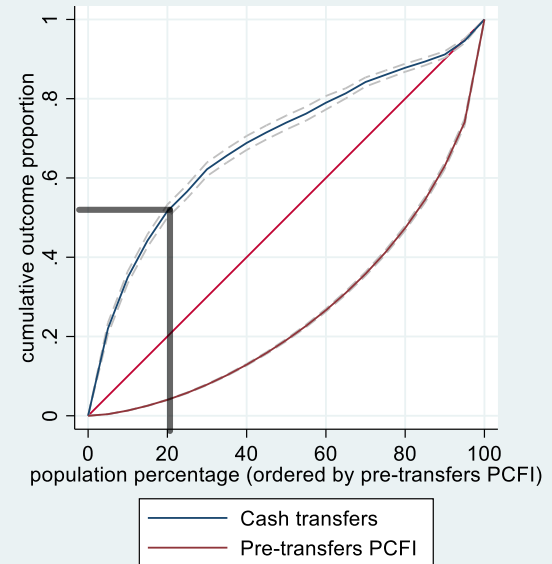
Uruguay

2019

Kakwani's
prog. index
from -0.25
to -0.37



2020






Actual and counterfactual poverty and extreme poverty headcount. IVQ2019 - IIQ2020




	Argentina		Brazil		Colombia	
	2019	2020	2019	2020	2019	2020
Actual extreme poverty	11.0	16.1	7.9	7.5	13.9	25.9
Extreme poverty without transfers	14.4	24.3	10.7	16.3	15.1	27.2
Abtolute variation	3.4	8.3	2.8	8.7	1.2	1.3
Relative variation	31%	51%	36%	116%	8%	5%
Actual poverty	40.2	50.3	22.9	22.6	35.4	47.3
Poverty without transfers	41.0	53.9	25.9	32.2	36.3	48.5
Abtolute variation	0.8	3.6	3.0	9.6	0.9	1.2
Relative variation	2%	7%	13%	43%	2%	3%
	Costa Rica		Peru		Uruguay	
	2019	2020	2019	2020	2019	2020
Actual extreme poverty	7.5	9.0	6.8	47.4	0.8	1.5
Extreme poverty without transfers	12.2	19.6	7.7	49.8	2.5	5.2
Abtolute variation	4.8	10.5	0.9	2.4	1.6	3.7
Relative variation	64%	117%	14%	5%	193%	241%
Actual poverty	26.6	30.5	20.0	68.0	9.9	13.8
Poverty without transfers	30.3	40.7	20.7	69.1	13.2	18.7
Abtolute variation	3.8	10.2	0.7	1.2	3.3	4.9
Relative variation	14%	34%	3%	2%	33%	35%

Recovery phase II2020-IV2022

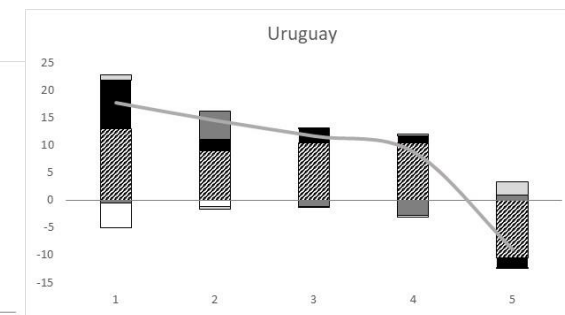
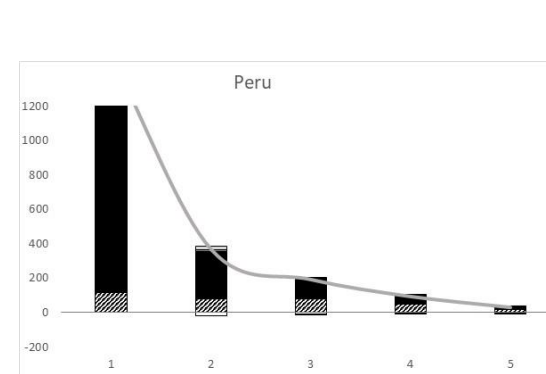
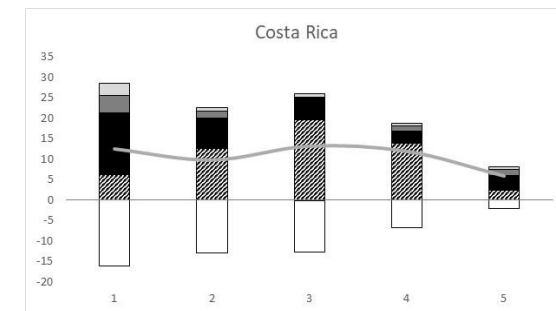
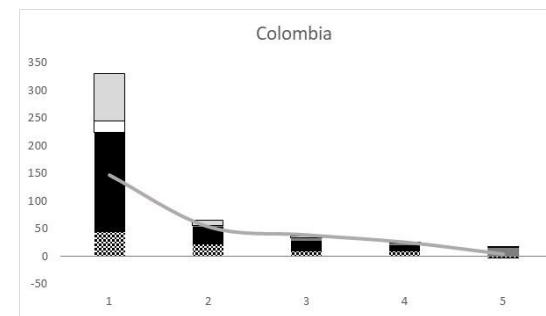
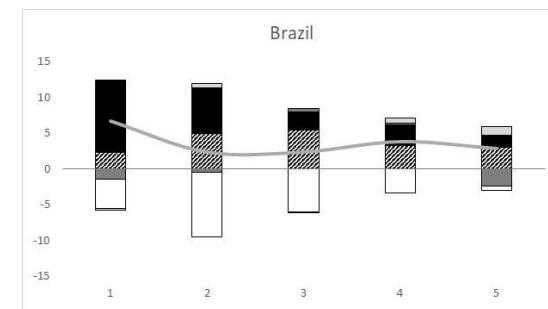
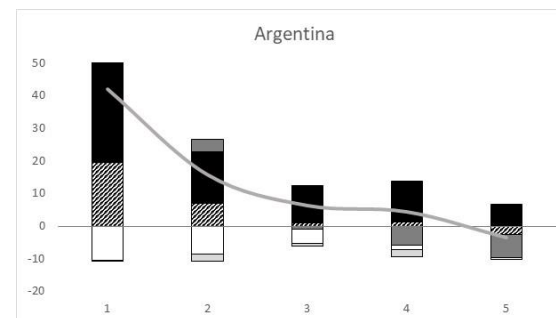
Decomposition of Gini variation by income sources

Source	Argentina	Brazil	Colombia	Costa Rica	Peru	Uruguay
Total labour incomes	-4.7	-1.2	-4.7	-3.1	-18.5	-6.2
Formal	-2.6	-0.4	-1.7	-2.3	-9.0	-4.8
Informal	-2.2	-0.8	-3.0	-0.7	-9.5	-1.4
Cash transfers	1.7	1.3	-0.3	2.3	1.4	0.5
Pensions	-1.9	-0.6	-1.9	-0.3	-1.5	-0.1
Other incomes	0.2	0.2	-1.0	-0.1	-0.9	0.5
Gini variation (pp)	-4.7	-0.3	-8.0	-1.1	-19.4	-5.3

 Formal income
 Cash transfers
 Other incomes

 Informal income
 Pensions
 Total per capita family income

Changes in total per capita family income and its sources by income quintiles



Whole period. IV2019-IV2022

Source	Argentina	Brazil	Colombia	Costa Rica	Peru	Uruguay
Total labour incomes	-0.3	-0.7	-0.4	-1.0	-0.6	-0.8
Formal	-0.6	-0.8	0.2	-0.9	-0.1	-1.0
Informal	0.3	0.0	-0.6	0.0	-0.5	0.2
Cash transfers	-0.6	-1.7	-0.7	0.0	0.1	0.0
Pensions	-1.0	-0.8	-0.7	0.1	-0.1	0.1
Other incomes	-0.8	-0.2	-1.3	-0.4	-1.1	0.3
Gini variation (pp)	-2.7	-3.5	-3.1	-1.2	-1.7	-0.4

Final remarks

- Important progress:
 - ✓ Rapid and timely interventions.
 - ✓ Transfer schemes faced the challenge of expanding registration of people. Previous experience to reach the most affected population more rapidly.
- Most of these policies were removed or their scope was significantly reduced.
- Very critical economic, labour and social context:
 - ✓ Slowdown in economic growth, decreasing real wages and reduced fiscal space
 - ✓ 50% informality
 - ✓ Working-poor phenomenon
 - ✓ Transitions: green, demographic and digital
- Need for a broad agenda of far-reaching and comprehensive policies: support for formal employment creation, support for micro-small enterprises, economic security and ALMP.

Muchas gracias

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