Labour and social policies in Latin America during the COVID-19 pandemic and its recovery

Políticas laborales y sociales en América Latina durante la pandemia de COVID-19 y su recuperación

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Abstract

This article examines key labour market trends during the COVID-19 pandemic in Argentina, Brazil, Chile, Colombia, Costa Rica, Peru, and Uruguay, covering the period from its onset through 2022, and provides a comprehensive analysis of the policies implemented to mitigate its effects. It explores their influence on formal jobs, labour and household incomes, as well as institutional arrangements. By comparing pre-pandemic gaps in decent work and adequate income with the situation three years after the outbreak of the pandemic, this article assesses whether Latin American labour markets have moved closer to, or further away from, addressing persistent gaps in job quality, wage levels, and their distribution. Finally, it draws policy lessons from both the advances achieved and the challenges that remain in labour and income policies.

Keywords: Latin America, labour policies, cash transfers, labour market, COVID-19.

Resumen

En este artículo, se examinan las principales tendencias del mercado laboral durante la pandemia de COVID-19 en Argentina, Brasil, Chile, Colombia, Costa Rica, Perú y Uruguay, abarcando el período desde su inicio hasta 2022, y se ofrece un análisis exhaustivo de las políticas implementadas para mitigar los efectos. Se explora asimismo su influencia en el empleo formal y los ingresos laborales y familiares, así como en los arreglos institucionales. Al comparar las brechas prepandémicas en trabajo decente e ingresos adecuados con la situación tres años después del inicio de la pandemia, se evalúa también si los mercados laborales latinoamericanos se han acercado o alejado de la solución de las brechas persistentes en la calidad del empleo, los niveles salariales y su distribución. Finalmente, se extraen lecciones de política, tanto de los avances logrados como de los desafíos que aún persisten en las políticas laborales y de ingresos.

Palabras clave: América Latina, políticas laborales, transferencias monetarias, mercado laboral, COVID-19.

1

Introduction

Latin America was severely impacted by the COVID-19 pandemic. The region's high levels of informality and job insecurity exacerbated the negative effects of the crisis, leading to a sharper decline in employment than in economic activity.

Prior to the pandemic, some countries had introduced measures aimed at promoting the creation of formal jobs and enhancing protection for informal workers. However, the outbreak of the COVID-19 pandemic required immediate and direct actions to support firms, preserve employment, and mitigate income losses. The magnitude, scope, speed, and unprecedented nature of the crisis called for coordinated responses in health, labour and social protection. Countries relied on existing mechanisms while also implementing new measures to address emerging challenges and extend support to a broader segment of the population than in previous crises.

This article aims to comprehensively analyse and compare the most relevant policies implemented, to mitigate the negative impact of the pandemic in Argentina, Brazil, Chile, Colombia, Costa Rica, Peru, and Uruguay. It examines interventions aimed at preserving formal employment, sustaining the incomes of formal wage earners, supporting those who became unemployed, and cash transfer programmes primarily directed at low-income households, particularly those reliant on informal employment.

The selection of countries seeks to provide a nuanced understanding of labour market and income dynamics in Latin America during the pandemic, as together they account for a substantial share of the region's population. Moreover, these countries differ in terms of occupational structure, particularly regarding the prevalence of informal employment, as well as in levels of income concentration and poverty. Policy responses to this crisis also varied significantly across countries, both in the specific instruments deployed and in their relative importance. This selection, therefore, allows for a comprehensive analysis, highlighting the pandemic's multifaceted impacts across different socio-economic contexts and policy landscapes.

Beyond these differences, the analysis shows that countries responded quickly and effectively by both expanding existing programmes and creating new ones. These efforts helped to limit the immediate loss of income and access to basic goods and services, while also preventing the amplification of these negative shocks in the medium term. However,

when considering the labour and social indicators, as well as the configuration of social policies three years after the onset of the pandemic, the countries under analysis do not appear to have improved upon the overall situation of 2019. Instead, they have largely returned to pre-pandemic conditions.

The paper continues as follows. Section 2 presents the literature review. Section 3 describes the data sources, definitions and methodology. Section 4 provides an overview of the evolution of the main labour market indicators. Section 5 reviews the policies implemented in the countries under study to support employment and household incomes. Section 6 examines income dynamics and distributional outcomes. Section 7 analyses the role of the implemented policies in shaping formal employment, inequality, and poverty. Section 8 discusses the main findings and concludes.

2

Literature review

Few studies have examined the policies implemented during the pandemic in Latin American countries, and even fewer have done so from a comparative perspective across a broad set of cases. Two main strands of literature can be identified: on the one hand, there are studies that document the policies implemented, propose typologies, and draw conclusions regarding the advances achieved and the challenges during this period; on the other hand, a smaller body of work focuses on quantitative assessments of the impacts of these policies on social indicators.

Within the first group, Gentilini *et al.* (2022) and Cejudo *et al.* (2021) show that Latin America and the Caribbean (LAC) accounted for the highest share of social assistance measures within the overall policy response, primarily in the form of cash transfers. The proportions were higher than in other regions, a result that is not surprising given the high levels of labour informality in the region. Cejudo *et al.* (2021) further highlight substantial cross-country differences, while noting that, taken together, these measures reached a population equivalent to around one third of the region.

Robles and Rossel (2022) and Blofield *et al.* (2020) emphasise the advances in social protection systems in Latin America at the onset of the crisis and highlight states' capacity to introduce rapid policy responses to emerging social demands. However, Robles and Rossel (2022) also identify significant implementation challenges, including

incomplete coverage and insufficient benefit levels. Moreover, many measures were not explicitly designed to reach the populations most affected by the crisis, such as women, migrants, or indigenous people, among other groups. Blofield *et al.* (2020) document substantial disparities in both coverage and sufficiency of cash transfers for households with children and informal workers across countries. Brazil, Argentina, and Bolivia largely closed the coverage gaps, with benefit levels being relatively sufficient in the first two cases. Coverage was also substantial in Chile, Costa Rica, and Peru, although benefit sufficiency was relatively high only in Chile and Costa Rica and remained low in Peru. Finally, Ecuador, Colombia and Mexico reached only 20 % of their informal populations, with relatively low levels of sufficiency.

Within the second group, early studies relied on *ex-ante* microsimulations to assess the potential impacts of public cash transfers. Lustig *et al.* (2020, 2023), Castilleja-Vargas (2020), Busso *et al.* (2020), Corredor *et al.* (2021), and Brum and De Rosa (2021) estimate that, in the absence of social assistance, inequality and poverty would have been higher than they actually were.

Subsequently, a smaller number of studies evaluated the actual distributional impacts of policies implemented to mitigate the effects of the pandemic. Among them, Acevedo *et al.* (2022) and Economic Commission for Latin America and the Caribbean (ECLAC 2022a), for several countries, and Amarante and Scalese (2022), for Uruguay, document the role of cash transfers in partially counteracting adverse impacts on inequality and poverty.

Even fewer studies have examined policies aimed at protecting formal employment. Some highlight design and implementation shortcomings, as well as limited coverage for small and medium-sized enterprises in the case of Brazil (Cavalcanti & Garcia Marques 2020) and Colombia (Observatorio Universidad Javeriana 2021).

The latter study also notes that the subsidy amount did not account for heterogeneity in firms' exposure to the crisis. Other studies, however, report overall positive effects of these programmes, such as Soares (2021) for Brazil and Banco de la República (2023) for Colombia.

Taken together, these studies point to a shared set of conclusions. On the strengths side, there is broad agreement regarding states' capacity to implement rapid responses to protect income and employment, as well as their innovative use of both new and expanded policy instruments. The equalizing impact — both expected and observed — of cash transfers also emerges as a common finding in the region. On the weaknesses side,

insufficient coverage and relatively low benefit levels are recurrently identified. In addition, the lack of measures specifically designed to address the needs of the populations most affected by the pandemic is frequently highlighted.

Building on this literature, this study makes several contributions. First, it examines the evolution of a wide range of policies up to the fourth quarter of 2022, covering a period of three years after the onset of the pandemic, thereby extending the time horizon considered in previous studies. Second, by drawing on data from seven countries representing more than 50 % of the region's population, the analysis offers a comparative perspective that captures both common patterns and cross-country heterogeneity in Latin American labour markets. Third, to the best of our knowledge, this study is the first to combine a detailed qualitative discussion of the implemented policies with a quantitative analysis of the association between these interventions and inequality indicators.

Based on the analyses conducted, the paper documents developments in labour and social indicators, as well as changes in the post-pandemic social policy architecture in the region.

3

Data, definitions, and methodology

The analysis of the evolution of employment, labour income and household income is based on data from regular household surveys conducted by the national statistical institutes of each country. For Argentina, the data source is the Encuesta Permanente de Hogares (EPH). In Brazil, data come from the Pesquisa Nacional por Amostra de Domicilios Contínua (PNADC). For Chile, data are drawn from the Encuesta Nacional de Empleo (ENE). This survey does not collect income information; therefore, no results are presented for Chile with respect to income or inequality indicators. Data for Colombia come from the Gran Encuesta Integrada de Hogares (GEIH). For Costa Rica, the annual Encuesta Nacional de Hogares (ENAHO) is used. In Peru, the Encuesta Nacional de Hogares (ENAHO) is employed. Finally, data for Uruguay come from the Encuesta Continua de Hogares (ECH). All these surveys cover urban and rural areas, except in Argentina, where the survey covers 31 urban centres.

To analyse the main social policies implemented during the pandemic to mitigate its negative impact, we rely on official sources to describe the key design features of the measures and to compile quantitative information on coverage and benefit levels.

To examine the influence of policies aimed at preserving formal employment, we use administrative data on the evolution of formal employment and, in some countries, exit rates from formal employment. These data are obtained from Social Security systems (Chile, Colombia, Costa Rica, and Uruguay), tax agencies (Argentina, or Peru), or the Ministry of Labour in Brazil.

To analyse the distributive role of cash transfers — together with other income sources —, we decompose changes in the Gini coefficient by income sources, following the method proposed by Lerman and Yitzhaki (1985). According to this approach, the Gini coefficient for total income inequality, *G,* can be expressed as:

$$G = \sum_{k=1}^{K} S_k G_k R_k$$

where S_k represents the share of income source k in total income, G_k is the Gini coefficient of income source k, and R_k is the Gini correlation between income source k and total income. Data come from the household surveys.

Finally, to examine the role of cash transfers in relation to poverty and extreme poverty, we adopt an absolute poverty approach, using the «poverty» and «extreme poverty» lines defined by ECLAC. We compute poverty and indigence headcount ratios, first based on total disposable household income and then after excluding cash transfers amounts from those incomes. The comparison of these two measures provides an indication of the short-term association between cash transfers and poverty and indigence incidence.

One of the key dimensions analysed in this paper is labour informality. The definition of «informal employment» follows the recommendations of the International Conferences of Labour Statisticians (ICLS). «Informal employees» are those in jobs not subject to national labour legislation, taxation, or Social Security regulations. Non-salaried workers are considered «informal» if they carry out their activities in the informal sector. Regarding empirical identification, we follow the criteria proposed by the International Labour Office (ILO) Regional Office, considering data availability in each

national household survey. Table 1 details the specific identification of informality in each country.

Country	Salaried informal workers	Non-salaried informal workers
Argentina	Those whose employers do not make contributions to the pensions system on behalf of them	Identification depends on whether they have family members or associates in the firm where they work. First case: informal if the company is not duly incorporated. Second case: the place of work is taken into consideration: (1) informal own-account workers do not work in a business or office; (2) informal employers (2.1) do not work in an office, nor in a transportation vehicle, nor a construction site, nor a fixed street point; (2.2) even when working in any of these four types of establishments they have less than 5 employees.
Brazil	Those without a labour contract and contributions to the Institute of Social Security	Those whose firm is not registered with the National Registry of Legal Entities.
Chile	Those whose employers do not make contributions to the pensions system on behalf of them	Those whose firma is not registered with the Internal Tax System and do not mantins accounting records
Colombia	Those whose employers do not make contributions to any health social security institution	Those whose firma is not registered with any authority and do not mantins accounting records
Costa Rica	Those whose employers do not make social security contributions	Those whose firm is not duly incorporated nor keeps formal books.
Peru	Those who are not enrolled in the pension system.	Those whose firm is not registered with the National Superintendence of Customs and Tax Administration nor maintains accounting records.
Ururuay	Those who do not contribute to social security	

Table 1

ILO's criteria to identify informal workers in the household surveys of each country

Source: ILO Latin American Regional Office.

4

The evolution of employment, unemployment, labour force participation, and informality, 2019-2022

The widespread lockdown and social-distancing measures implemented in response to the pandemic led to a 7 % decline in GDP in 2020, the largest contraction of any region. The most significant effects on economic activity were observed in the second quarter of 2020, and employment fell by almost 10 % over the course of that year (ILO 2022a, Beccaria *et al.* 2022).

Economic and labour market recovery began in mid-2020 as restrictions were gradually lifted. Three years after the onset of the COVID-19 pandemic, the regional employment rate had returned to pre-crisis levels, although the labour force participation rate remained slightly below its pre-pandemic level. As a net result, the unemployment rate was lower than in 2019 (ILO 2020).

These two contrasting phases in labour market dynamics observed at the regional level in Latin America were also present in the seven countries under analysis (Table 2). The sharp contraction in employment led to transitions into unemployment, but above all to large outflows from the labour force.

	IVQ2019	IQ2020	IVQ2022
Argentina			
Employment rate	55	54	58
Unemployment rate	9	10	6
Participation rate	60	60	62
Informality rate	45	44	44
Formal employment	100	100	108
Informal employment	100	96	105
Brazil			
Employment rate	57	56	58
Unemployment rate	11	12	8
Participation rate	65	64	63
Informality rate	39	38	37
Formal employment	100	99	108
Informal employment	100	95	98
Chile			
Employment rate	59	57	56
Unemployment rate	7	8	8
Participation rate	63	62	60
Informality rate	28	28	26
Formal employment	100	98	101
Informal employment	100	99	93
Colombia			
Employment rate	62	58	60
Unemployment rate	10	9	10
Participation rate	68	64	66
Informality rate	59	58	60
Formal employment	100	99	100
Informal employment	100	93	102
Costa Rica			
Employment rate	55	56	53
Unemployment rate	12	12	12
Participation rate	63	63	60
Informality rate	43	44	41
Formal employment	100	100	104
Informal employment	100	102	94
Peru			
Employment rate	72	68	70
Unemployment rate	5	7	5
Participation rate	75	72	74
Informality rate	71	71	74
Formal employment	100	94	93
Informal employment	100	95	106
Uruguay			
Employment rate	58	57	58
Unemployment rate	9	10	8
Participation rate	64	63	63
Informality rate	25	23	23
Formal employment	100	101	104
Informal employment	100	89	91

Table 2

Evolution of labour indicators. IVQ2019-IVQ2022

Source: own elaboration based on household surveys.

Both informal and formal employment experienced pronounced contractions in all countries. However, in Argentina, Brazil, Chile, Costa Rica, and Uruguay, the decline was larger among informal workers. This pattern differs from that observed in previous economic crises. In Latin America, informal employment has typically played a countercyclical role, tending to expand when formal employment contracts.[1] This adjustment mechanism was largely weakened during the pandemic. As a result, the sharper fall in informal employment led to a temporary decline in informality rates between the fourth quarter of 2019 and the second quarter of 2020. The only exception was Peru, where the informality rate increased slightly as formal employment declined more sharply than informal employment. No data for the second quarter of 2020 are available for Colombia (Table 2).

The sharp decline in self-employment in 2020 can be attributed to lockdown measures that suspended many activities and to the limited ability of self-employed workers to work remotely. The dismissal of informal employees also became more attractive, due to lower costs.[2] In addition, sectors that rely heavily on informal labour, such as construction and restaurants, faced prolonged closures. Formal employment, by contrast, proved more resilient, as firms adopted strategies such as teleworking. Moreover, public policies are likely to have played a role in safeguarding formal jobs (Section 5).

The employment recovery phase that began in mid-2020 was initially driven primarily by growth in informal occupations. Consequently, the informality rate grew in all countries between the second quarter of 2020 and the fourth of 2022 (Table 2).

Comparing employment and informality rates before and after the pandemic, three groups of countries can be identified. On the one hand, Argentina, Brazil, and Uruguay experienced a full recovery in employment alongside lower informality rates. On the other

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1 See, for example, Bosch and Maloney (2008), and Gally and Kucera (2003).

2 As indicated in Beccaria and Maurizio (2020), «greater stability among formal workers may be due to the higher dismissal costs associated with this type of job. It may also be explained by the fact that these workers are usually more intensively trained. In contrast, the dismissal costs associated with informal employees are very low, which makes them attractive for sectors with unstable activity levels and/or jobs. Employers may resort to this type of employment instead of using an official trial period, or as a way of making this period last longer than stipulated in labour regulations». Indeed, this paper found that in the exit rates of informal wage earners doubled or tripled that of formal employees.

hand, Chile and Costa Rica exhibit a reduction in informality but an incomplete recovery in overall employment. Finally, Colombia and Peru combine higher informality rates with lower total employment rates.[3]

In summary, the pandemic-related crisis was unprecedented in terms of its intensity, scope, and nature of its labour and social impacts, compared to previous crises in the region.[4] Although the employment contraction lasted only two quarters in the countries considered, three years after the onset of the pandemic the employment rate remained below pre-pandemic levels in four out of seven countries. As discussed below, the sharp contraction in employment and its subsequent insufficient recovery had significant consequences on incomes. Nevertheless, the policies implemented during this period partially mitigated the negative impacts of the crisis on households' monetary resources.

5

Country labour and income protection policies implemented during the pandemic

As discussed in Section 2, public interventions were introduced immediately at the onset of the pandemic, and some of them remained in place until 2021 or 2022. This section outlines the most significant of these policies, categorizing them by target group and instruments used.

5.1. Overview of public interventions

Countries implemented a wide range of policies to mitigate the negative impacts of the pandemic. Some measures targeted individuals covered by contributory schemes, while others aimed to alleviate the situation of the rest of the population.

Some of the policies designed to support formal workers focused on sustaining formal employment. All the countries analysed, except Costa Rica, implemented at least

[3] For additional analysis of the evolution of employment and informality during the pandemic, see ILO (2020, 2022a).

[4] As shown in Beccaria *et al.* (2022) and ECLAC (2020), the drop in GDP and employment for the aggregate of Latin America in 2020 was the largest since records in Latin America.

one programme with this objective. Four countries introduced payroll subsidies, which were rolled out relatively quickly after the outbreak of the pandemic. These measures differed in duration, scope, and sufficiency. In most cases, companies could apply for support for periods ranging from eight to thirteen months, except in Peru, where the subsidy was available for only one month. In Argentina and Peru, subsidies could be claimed for all workers, while in Colombia they applied to all workers, except those who were suspended. In all these cases, firms were required to continue paying full wages to their employees. By contrast, Brazil's programme provided benefits only to suspended or reduced-hour workers, and the implicit subsidy to firms was higher than in the other cases. Except for small firms, employers were required to supplement only 30 % of wages for suspended workers, while no contribution was required for workers with reduced hours. As a result, some workers experienced a reduction in income relative to their regular wages. Another intervention aimed at formal workers was the temporary use of unemployment insurance, to preserve the employment relationship, implemented in Chile and Uruguay.

The payroll subsidies implemented in Argentina, Colombia, and Peru were broader and therefore less targeted than the expansion of unemployment insurance, which focused on suspended or reduced-hour workers. Governments may have considered that channelling support to firms — or through firms — would allow for quicker access to the target group. It should also be noted that Peru does not have an unemployment insurance system, and that the replacement rates are very low in Argentina. In the latter case, the broad coverage of firm-based support was consistent with the prohibition of dismissals during the pandemic. Brazil's scheme can be considered broadly comparable to those implemented in Chile and Uruguay; however, for many suspended wage workers in Brazil, the effective replacement rate was higher than it would have been under unemployment insurance, given the mandatory wage supplements required from medium and large firms.

In addition to employment protection measures, some countries implemented transfers to supplement the incomes of formal workers. These transfers were restricted to suspended workers in Colombia, while they were applied more broadly in Chile and Costa Rica. With a similar objective, withdrawals from individual unemployment, pension, or severance funds accounts were authorised in all countries, except Argentina and Uruguay.

Support for the large informal population was provided through cash transfer programmes. These measures involved expanding the coverage and/or sufficiency of

existing programmes and introducing new ones. Temporary increases in benefit amounts were implemented for a few months in 2020 in most countries, except Uruguay, where the extension remained in place until 2021. Brazil was the only country to expand the coverage of its main transfer programme, Bolsa Familia, a change that remains in effect.

The number of monthly transfers, their coverage, and their sufficiency varied considerably among countries. Brazil, Chile, Colombia, and Uruguay provided a larger number of transfers than the others, although this did not necessarily translate into higher benefit sufficiency. Measured relative to each country's minimum wage, Chile's Emergency Family Income (IFE) displayed the highest benefit level. At peak moments in 2020 or 2021, coverage exceeded 30 % of the population, with Chile again reaching the highest level.

Overall, Chile's programme appears to have been the most generous, combining high coverage, sufficiency, and duration. Among the remaining countries, Brazil's programme stands out for its relatively high sufficiency and duration, while the others combine lower values in one of these dimensions with higher values in another. A more in-depth discussion of the main policies implemented in the selected countries is provided in the remainder of the section.

5.2. Measures to preserve formal employment

Three categories of intervention aimed at sustaining employment relationships and compensating formal workers for incomes losses can be identified: payroll subsidies to firms, adaptations of existing unemployment insurance schemes to cover employees under suspension or reduced working hours, and additional complementary measures. Table 3 summarises the main features of these programmes.

COUNTRY	TYPE	NAME	DURATION	AMOUNT OF THE BENEFIT	ELEGIBILITY: FIRMS	ELEGIBILITY: WORKERS	Legislation
ARGENTINA	Payroll subsidies	Programme of Emergency Assistance to Employment and Production (ATP). Subsidy to firms	Up to nine payments were made to each worker between April and Dec. 2020	Depending on the level of remuneration, between one and two minimum wages for each worker	Up to 800 workers (more than that, only after a case-by-case analysis) and meeting at least one of the following conditions: reduction of sales, belonging to sectors "critically" affected, or having a large proportion of employees infected with Covid.	With a remuneration less than eight minimum wages	Decree N° 332/2000
	Additional measures	Programme of Emergency Assistance to Employment and Production (ATP). Reduction of contribution to social security	April - December 2020	Reduction of employers' contributions to social security up to 95%		All	
	Payroll subsidies	Productive Recovery and Sustainability Programme II (REPRO II)	Two monthly payments, with the possibility of renewal. Decembere 2021- April 2022.	50% of the remuneration, up to a maximum of one minimum wage	Reduction in sales: Applicant firms will be selected taking into account economic and financial indicators.	All	Rsolution Ministry of Labor N° 824/2021
	Additional measures	Prohibition of dismissals	March 2020 - June 2022		All	Dismissals without just cause or due to reduction of sales or to force majeure	Drecrees N° 34/2019, N° 518/2020, N°961/2020, N° 39/2021, N° 413/21
BRAZIL	Payroll subsidies	Emergency Benefit / Emergency Programme for the Maintenance of Employment and Income	The programme was implemented from April to Dec. 2020 and between May and August 2021. Benefit for total suspension was only possible for up to eigh months for the same worker (not necessarily consecutive)	Those with reduced hours: a proportion of the unemployment benefit that would have corresponded to the worker if fired (regardless of whether the worker meets the conditions for receiving it) according to the reduction of hours. Those in temporary suspension, 70% (100% for workers of medium or small firms) of the unemployment benefit. Firms should pay 30% of the regular salary.	All	On temporary suspension or with reduced hours. Remunerations below 2 MW (3 MW for small firms)	Provisory Measure N° 936 / 2020 (then Law 14.020)
	Additional measures	Deferral of the payment of contributions to the dismissal fund	March - May 2020		All	All	Provisory Measure N° 927/2020
CHILE	Expansion of unemployment insurance	Expansion of unemployment insurance	April - October 2020			On temporary suspension or with reduced hours	Law N° 21.227
COLOMBIA	Payroll subsidies	Formal Employment Support Programme (PAEF)	Monthly transfers between April 2020 and March 2021. Up to eleven payments. Second stage: May - Dec. 2021	40% of minimum wage	That have reduced their sales by 20% or more. Second stage (May - Dec. 2021): only micro and small size firms	All (excluded those in complete suspension)	Legislative Decree N° 639/2020
	Payroll subsidies	Support Programme for Payment of Agricultural Premium for Services	One payment to meet the "premium for services" (a thirteenth monthly salary)	Fixed amount (equivalent to a quarter of the minimum wage)	Firms of the agricultural Sector that have reduced their sales by 20% or more		Legislative Decree N° 803/2021
PERU	Payroll subsidies	Subsidy to firms	One payment (April 2020)	35% of the remuneration	All	Workers with remunerations up to an amount equivalent to 1,6 minimum wages.	Decree of Urgency N° 033-2020
	Additional measures	Defferal of payment of the Contribution of Service Time	May 2020		All	Workers with low remunerations	Decree of Urgency N° 038-2021
URUGUAY	Expansion of unemployment insurance	Expansion of unemployment insurance	March 2020 - December 2022	25% of regular remuneration		With reduced hours. Working in the following sectors: commerce, restaurants, hotels, cultural and recreational activities, travel agencies	Rsolutions Ministry of Labor N° 143-2020 snf 163-2020</2021

Table 3

Measures to support formal employment

Source: own elaboration based on official information.

Payroll subsidies. In four out of the seven countries analysed, specific payroll subsidy schemes were implemented. These initiatives primarily supported firms, and in some cases specific groups of employees within those firms, typically focusing on sectors facing operational restrictions or sharp declines in sales, often excluding large firms. The programmes include Argentina's Emergency Assistance to Employment and Production (ATP) and Productive Recovery and Sustainability (REPRO II), Brazil's Emergency Benefit (BE), Colombia's Formal Employment Support (PAEF) and rural sector wage subsidies (PAP), and firm-level subsidies in Peru.

In Brazil, support was provided exclusively to workers who were suspended or experienced reductions in working hours. In the other countries, subsidy schemes were not strictly conditional on suspensions or working-time reductions.

Different criteria were used to determine subsidy amounts. In most cases, subsidies were calculated as a percentage of the minimum wage (Argentina, Colombia, and Peru) or of the unemployment benefits (in Brazil). In Argentina, Colombia and Peru, firms were required to ensure that employees continued to receive their full salaries. In Brazil, fully suspended workers received 30 % of their regular salary from firms, while the government covered 70 % of the unemployment benefit to which they would have been entitled; workers in small firms received 100 % of the unemployment benefit. For workers with reduced hours, government compensation was proportional to the hours not worked, calculated as a share of the corresponding unemployment benefit.

Most of these initiatives were put in place shortly after the implementation of lockdown and mobility restrictions and remained in place until the end of 2020, with certain measures extending into mid-2021. Programme duration varied substantially across countries, with eligibility ranging from a single month in Peru to up to 19 payments in Colombia.

In most countries, payroll subsidy programmes did not require firms to maintain pre-pandemic employment levels. As a result, some workers could benefit from subsidies, while others faced layoffs. Argentina constituted an exception. In addition to firm subsidies through, the Argentine government introduced regulations prohibiting dismissals during the periods in which these programmes were in effect.

Regarding coverage, in Argentina and Colombia, approximately half of private-sector formal workers were estimated to have benefited from these programmes during

2020.[5] In Brazil, coverage was also substantial, with nearly one-third of private-sector formal workers benefiting from the programme. However, coverage declined markedly in 2021 (Soares 2021).

Expansion of unemployment insurance to cover new labour events. In Chile and Uruguay employees who experienced suspension or reduction in working hours became eligible for regular monthly unemployment benefits.

In Chile, between April 2020 and January 2022, unemployment insurance coverage was expanded to include workers who were totally or partially suspended (working only a few days a month), as well as those facing reduced working hours. Additionally, the minimum number of prior contributions required for suspended or reduced-hour workers to access the unemployment insurance was reduced, thereby improving access during the pandemic.

In Uruguay, like in Chile, unemployment benefits were extended to cover employees who were partially suspended (working only a few days per month) and those with reduced working hours, particularly in firms operating in sectors most affected by the pandemic. The regular regime already provided coverage for workers under total suspension. However, the emergency programme also included individuals in this situation who had already exhausted their benefits. These extensions were in effect from March 2020 to December 2022.

Additional measures. Argentina, Brazil, and Peru introduced further actions to support formal employment. As mentioned earlier, in Argentina a regulation enacted in March 2020 prohibited dismissals without just cause or on the grounds of production or sales reduction, or force majeure. This regulation, which was extended multiple times, remained in force until June 2022. In addition, employers' social contributions were initially reduced in Argentina, and in all three countries employers were allowed to defer such contributions (Table 3).[6]

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[5] Data for Argentina come from the data base Argentina Datos (https://datos.gob.ar/dataset/produccion-asistencia-emergencia-al-trabajo-produccion-atp); for Colombia, calculated with data from the Unidad de Pensiones y Parafiscales, the government unit that administered the PAEFF programme (https://paef.ugpp.gov.co/programa-de-apoyo-al-empleo-formal-paef/).

[6] Furthermore, in some countries like Brazil and Argentina, additional support was extended to businesses in the form of subsidized rate loans for covering payroll and other components of their working capital. A detailed analysis of these specific policies falls beyond the scope of this paper.

5.3. Policies to mitigate income losses among formal workers

Two main sets of policies were implemented in five countries to mitigate income losses among formal employees: first, workers were allowed to access resources from their individual unemployment, pension, or severance accounts; second, direct cash transfers were provided to formal employees who experienced income reductions because of the pandemic. In all cases, workers applied directly for benefits, without employers' involvement.

The first set of measures was applied in the four countries with individual accounts – Brazil, Colombia, Costa Rica, and Peru.

In Brazil, workers were allowed to withdraw up to one minimum wage from their severance pay individual accounts between June and December 2020. In Colombia, from March 2020 to June 2022, workers could withdraw an amount equivalent to the reduction in their earnings from their unemployment fund account. In Costa Rica, withdrawals from the Labour Capitalization fund were permitted during the emergency period, without a predefined limit. In Peru, workers under full suspension were allowed to withdraw up to one gross monthly salary from their severance pay account for a maximum of three months in 2020. Subsequently, this option was extended to all workers, including those whose incomes were not reduced, with withdrawals permitted up to a certain limit in 2020, and full fund withdrawal for workers whose incomes were not reduced in 2021 and 2023.

In addition, Chile and Peru allowed multiple withdrawals from individual pension fund accounts. In Chile, three withdrawals were permitted, with deadlines extending to April 2022. On each occasion, beneficiaries could withdraw their entire accumulated balance if it was small, a decreasing proportion of the balance up to a specified threshold, and up to 10 % (or less) thereafter. On average, the proportion of pension funds effectively withdrawn was slightly below 40 %. Peru introduced several rounds of pension fund withdrawals between 2020 and 2022.

The second set of measures consisted of direct transfers to formal workers experiencing income losses. In Chile, the IFE programme primarily targeted low-income households with informal workers, but it also provided support to vulnerable households with formal workers. The programme delivered seven payments in 2020, including a Christmas Bonus, and eleven payments in 2021. In addition, a measure introduced in April 2020 targeted low-wage formal workers: those earning below a defined income

threshold (and not belonging to high-income households) received a transfer equivalent to approximately 60 % of the gap between that threshold and their earnings.

In Colombia, employees under full suspension in firms benefiting from the PAEF programme between April and June 2020 were eligible to receive up to three monthly payments equivalent to 20 % of the minimum wage. In Costa Rica, a limited number of low-income formal wage earners accessed the Protect Bonus, a three-month cash transfer programme that primarily targeted unemployed and informal workers. Finally, in Peru, the Emergency Social Protection Economic Benefit in the Face of the COVID-19 Coronavirus Pandemic supported suspended workers employed in firms under microenterprises labour regime who were not covered by individual accounts. Eligible low-income workers (earning less than 2.7 times the minimum wage) could apply for up to three monthly transfers, starting August 2020 and remaining in effect throughout 2021.

5.4. Support for unemployed workers through unemployment insurance flexibilization

During this crisis, the conditions to access and remain in unemployment insurance were relaxed across several countries. In Argentina, unemployment benefits were increased both in amount and duration. In Colombia, the number of years of contributions required to become eligible for the Unemployment Protection Mechanism subsidy was reduced.

In Chile, the replacement rates from the third month onwards were increased, and the duration of the benefit was extended by up to seven additional months. Moreover, the contributions requirements for eligibility were relaxed, and domestic workers were included as beneficiaries of the unemployment insurance scheme. Finally, in Uruguay, the minimum contribution requirement was reduced for workers dismissed from sectors particularly affected by the pandemic.

5.5. Cash transfers to informal workers and low-income households

Another important component of the mitigation policies consisted of cash transfer programmes targeting households whose income primarily derived from informal employment. In some countries, low-income contributory pension beneficiaries were also eligible for these policies (Table 4).

	Name	Duration	Amount of the benefit		Eligibility	Coverage	Legislation	Sources data on coverage
			As % of minimum wage (MW)	In US dollars				
Argentina	Asignación Universal por Hijo y por Embarazo (AUH) (existing)	1 extra payment in 2020 (March)	20% of MW per children	U$S45 per children	All AUH beneficiaries	2.1 million households	Decree N° 309/2020	Anses (2020) Boletín Mensual AUH marzo, Anses: Buenos Aires (https://www.anses.gob.ar/sites/default/files/2024-04/EdEsp_Boletin%20mensual%20AUH%20Marzo%202020.pdf
	Pensions (existing)	4 payments in 2020	20% of MW	U$S 45 in 2020	Retirees receiving minimum pension	4.6 million retirees	Decrees N° 163/2020 ad 309/2020	Data from the Secretary of Social Security (https://www.argentina.gob.ar/trabajo/seguridadsocial/bess)
	Alimentar	Since 2020 (became a regular program)	25 - 40% of MW	U$S 60 -90 depending on the number of children in the household (in 2020)	Beneficiaries of AUH with at least one son /dauqhter aged 6 or less (aged 14 or less since June 2021)	2,4 (1.5) million households	Resolution Minstry of Social Development N° 8/2020	Messina, G. (2024) "La protección social de ingresos en la Argentina de la pandemia y la pospandemia" Revista Perspectivas de Políticas Públicas Vol. 13 Nº26
	Ingreso Familiar de Emergencia (IFE)	3 payments in 2020 (April, June-July and August-September)	60% of MW	U$S140	Informal workers (including beneficies of AUH)	9 millon people	Decreee N° 310/2020	ANSES, "Boletín IFE 2020. Caracterización de la población beneficiaria", Serie Estudios de la Seguridad Social, Dirección General de Planeamiento – Observatorio de la Seguridad Social, julio de 2020.
	Refuerzo ingresos	2 payments in 2022 (May and June)	20% of MW	U$S80	Informal workers (excluding beneficies of AUH)	7.2 millon people	Decree N° 216/22	Messina, G. (2024)
	Ayuda alimentaria de adultos sin ingresos	2 payments in 2022 (November and December)	45% of MW	U$S130	Informal workers (excluding beneficies of AUH) with incomes below 3 MW	1.2 million people	Decree N° 758/22	
Brazil	Auxilio Emergencial	9 payments in 2020l; 7 payments in 2021	2020: 60% of MW from April to August; 30% from September to December. 2021: 20 - 35% of MW	2020: U$S 120 from April to August 2020; U$S60 from September to December. 2021: U$S 35 - 70	Households of informal workers (including beneficiaries of Bolsa Familia) with per capita income below half MW, and total household income below 3 MW	2020: 70 million people (30% population) (20 million people were beneficiaries of BF). 2021: 20 million people as a maximum (10 million people were beneficiaries of BF)	Law N° 13.892	Data from the data base of the Government of Brazil: https://www.gov.br/mds/pt-br/acoes-e-programas/covid-19/transparencia-e-governanca/auxilio-emergencial-1
Chile	COVID Bonus	1 payment April 2020	15% MW	U$S 60	Low income household with informal incomes	1.5 million households	Law N° 21.225	Ministerio de Desarrollo Social (Chile) (2021) Informe Ingreso Familiar Emergencia Junio , Santiago de Chile: MDS
	Emergency Family Income (IFE)	Six payments in 2020, and monthly payments in 2021	30% of MW for each household member up to 4 members, then decreasing (maximum for 10 or more members households: about 2,4 minimum wages). Reduced by the amount of the formal incomes received by the household	U$S120 for each household member up to 4 members, then decreasing (maximum for 10 or more members households: about U$S 950). Reduced by the amount of the formal incomes received by the household	Low-income households (withe formal and informal incomes)	2020: max 8.2 million personas (40% population). 2021: maximum 16.7 million persons (80% population)	Law N°21.230	Ministerio de Desarrollo Social (Chile) (2021) Informe Ingreso Familiar Emergencia Junio , Santiago de Chile: MDS e Ministerio de Desarrollo Social (Chile) (2021) Informe Ingreso Familiar Emergencia, noviembre, Santiago de Chile: MDS
Colombia	Ingreso Solidario	2020. Began April 2020. Initially 3 payments, but extended succesesively until December 2022	20% of MW	U$S45	Low income households not elegible for other programmes	Initially: 3 million households (about 30% of total population). 5 millon in 2022	Legislative Decree N° 518/2020	Acosta, K., B. Taboada-Arango, A. Otero-Cortés, J. Bonet-Morón (2023) "Evolución de las transferencias monetarias en Colombia". Documento de _Trabajo sobre Economía Regional y Urbana, Banco de la República: Bogota
	Colombia mayores (existing)	3 payments in 2020	10% of MW	U$S23	Elderly persons not covered by other programs	1.7 million people	Legislative Decree N° 458/2021	
	Familias en Acción (existing)	2 extra payments in 2020	15% of MW	U$S~~35~~ 40	Low income households	2.3 million people		
	Jóvenes en acción (existing)	3 extra payments in 2020	25% of MW	U$S50	Young individuals from low-income households who attend school	0.5 million people		
Costa Rica	Bono Proteger	3 or more payments in 2020	45% o 22.5% of MW, according to intensidty of reduction in working time	U$S220 or U$S110, acording to intensity of reduction in working time	Formal and informal workers with reduction in working time	450 thoushand independent workers and informal wage-earners (25 % of total workers)	Decree N° 42305	Ministerio de Trabajo y Seguridad Social e Instituto Mixto de Ayuda Social (2022) Informe Final Programa Bono Proteger, MT y IMS: San Jose (https://www.mtss.go.cr/elministerio/despacho/covid-19-mtss/plan_proteger/archivos/decimo_informe_proteger_final.pdf)
	Subsidio IMAS	2 payments in 2020	45% or 36% of MW	One payment of U$S220 and anohter of U$S175	Low income families led by women, o with children	33 thousands households	Administrative dicission of IMAS	Web page IMAS (https://www.imas.go.cr/es/comunicado/mas-de-40-mil-personas-atendidas-por-el-imas-de-forma-excepcional-por-la-pandemia
Peru	Me quedo en casa (urban)	One payment (each program) in 2020	35% of MW	U$S 220	Low income households	2.7 millon households	Supreme Deccre N° 027-220	Ministerio de Desarrollo e Inclusión Social y Programa Mundial de Alimentos. (2022). Sistematización de la implementación de la entrega de bonos por el Gobierno del Perú ante la emergencia por la COVID-19 en el año 2020. Ministerio de Desarrollo e Inclusión Social; Programa Mundial de Alimentos de las Naciones Unidas. https://evidencia.midis.gob.pe/sistematizacion-bonos2020-ife
	Rural					1.0 millon households	Supreme Deccre N° 042-221	
	Universal Familiar					2.5 millon households	Supreme Deccre N° 052-222	
	Independiente					0.7 millon households	Supreme Deccre N° 033-223	
	Bono 600							
	Universal	1 payment in 2020. Another payment in 2021	30% of MW			8.8 millon households	Supreme Deccre N° 098-224	
	Yanapay	1 payment in 2021, extended to 2022 (until April)	15% of MW	U$S~~100~~ 150		13.5 million people	Emergency Decree N° 080-2021	Information from the web page of the Peruavian Government: https://www.gob.pe/yanapay
Uruguay	Tarjeta Uruguay Social (existing)	Regular amount increased in 50% in 2020 and during several months of 2021	10 - 40% of MW	U$S15 - 75	Low-income households	420 thousands	Ver Resolución del Poder Ejecutivo DS/14 de 1 de abril de 2020 / ver resolución DS/30	Palomo, N., L. Vargas Faulbaum, A. Machado, C. Rolon, F. Veras Soares, M. Rubio, F. Alejandre and G. Escaroz (2022) Protección social y respuesta al COVID-19 en América Latina y el Caribe: Innovaciones en los sistemas de registro y pago Research Report N° 63 El Centro Internacional de Políticas para el Crecimiento Inclusivo (IPC-IG) - PNUD - UNICEF.
	Plan Equidad (existing)		15 -20% of MW	U$S20 - 40		370 thousands	Presidential Resolution DS/50-2020	
	Canasta de emergencia	2020-2022	20% of MW	U$S 30	Low-income households not covered by other programs	110 thousand households (9% of total households)		

Table 4

Public cash transfer programmes

Source: own elaboration based on official information.

Each country under analysis had programmes in place prior to the pandemic designed to provide monetary support to low-income households, particularly conditional cash transfers schemes targeted at households with children. As discussed in the literature review, in several countries these programmes had substantial coverage and were backed by significant fiscal resources (Robles & Rossel 2021, Blofield *et al.* 2020).

However, as discussed below, in some cases the frequency of disbursements and/or the adequacy of these new measures or additional transfers within existing programmes were limited. Despite these constraints, as shown in the following sections, these programmes played a crucial role in providing essential support, to a broader segment of the population during the economic impact of the pandemic.

In March 2020, Argentina doubled the benefit levels of the Universal Child Allowance (AUH) and the Universal Pregnancy Allowance (AUE), the largest conditional cash transfers targeting informal workers' households with children. In the same month, a bonus was granted to retirees and pensioners who received the minimum pension. March 2020 also marked the introduction of a new scheme, the IFE, which provided three monthly payments throughout 2020 to informal workers, including self-employed individuals registered under the simplified tax system («Monotributo») and domestic service workers, including those registered with Social Security. Existing recipients of AUH and AUE were automatically included as beneficiaries of the IFE and received the combined value of both transfers over the three months. In addition, the Food Programme played a significant role during the pandemic. Initially launched in January 2020, it expanded rapidly following the outbreak of the pandemic, reinforcing transfers to AUH beneficiaries, with children up to six years old (extended to fourteen years from May 2021). The programme remained in place, thereafter, reflecting the persistent challenges faced by low-income households in a context of high inflation. In 2021, minimum pension recipients also received four additional bonuses, ranging from 7 % to 30 % of the minimum pension amount.

In Brazil, a large-scale income transfer programme, Emergency Relief (AE) was implemented to support informal, unemployed, and inactive workers who did not receive other benefits and belonged to low-income households. Beneficiaries of the existing conditional cash transfer programme, Bolsa Familia (BF), were automatically included in the AE if the BF benefit amount was lower than that of the AE. Initially implemented between April and December 2020, the programme was extended until December 2021, although both the number of beneficiaries and the benefit amount were reduced over time.

In Chile, a one-off transfer (Covid Bonus) was initially granted to recipients of existing social programmes and later extended to households not previously covered, encompassing the 60 % most vulnerable households identified in the registry of potential beneficiaries of public programmes. In May 2020, the IFE was introduced with broader coverage, targeting low-income families and including individuals with formal employment, as well as recipients of non-contributory pensions or other transfers. Six payments — larger than those provided under the Covid Bonus — were made between May and October 2020, with coverage expanding over this period. The programme was extended into 2021, when its coverage further increased, reaching a substantial share of the population.

In Colombia, the Solidarity Income programme was introduced in April 2020, to compensate poor and vulnerable households not covered by existing cash transfer programmes, achieved broad coverage, and consisted of three payments of approximately US$45 per household. The programme was subsequently extended until December 2022. Initially, it reached around three million households, increasing to five million households during that year. Furthermore, beneficiaries of three established cash transfer schemes received two or three emergency disbursements from March to May 2020. These programmes were Families in Action, targeting vulnerable households with children; Youth in Action, designed to facilitate higher education and formal labour market integration for youth, and Colombia Mayor, which provides income support for the poor older adults. The amount of these monthly transfers varied between US$23 and US$50. In the case of the latter programme, there was also an increase in horizontal coverage.

In Costa Rica, the Protect Bonus programme was implemented to provide income support to independent and informal workers whose incomes were negatively affected by the pandemic-related restrictions, in addition to unemployed individuals. The programme consisted of, at least, one monthly payment to each worker, with amounts varying between U$S110 and U$S220, depending on the level of underemployment. Nearly all beneficiaries (approximately 95 %) received three instalments. Another subsidy was implemented in the country by Instituto Mixto de Ayuda Social (IMAS, the state Institute of Social Aid) shortly after the outbreak of the pandemic, targeting low-income households headed by women and/or with children or elderly members that were not covered by other programs. Its coverage was relatively limited, reaching about 35,000 households, each of which received two instalments totaling approximately US$400.

Peru began implementing emergency cash transfers in March 2020. The first programme, the «I stay at home» bonus, provided a total of US$220 in two instalments to households identified as poor under the Sistema de Focalización de Hogares (SISFOH)[7] targeting system. This initial measure was quickly followed by two additional bonuses: one for self-employed workers («Independiente» bonus) and another specifically for rural communities («Rural» bonus). Both offered a single payment of US$220. To further expand coverage, a fourth bonus, the «Universal Family» bonus, was introduced in May 2020, delivering a one-time transfer of a similar amount. Collectively, these four bonuses reached approximately six million households. As the public health crisis continued, a new transfer, the «Universal Bonus» was established. Aimed at vulnerable households, it also provided a one-time payment of US$220. Eligibility included households that had already received previous bonuses, covering around 2.9 million households.[8] Additional measures were implemented in 2021, including the «Bonus 600» in early 2021 (consisting in a single payment of US$180) and the «Yanapay» bonus in August 2021. Yanapay provided payments to nearly eight million households, with amount set at US$110 for households without children and double that for those with at least one child.

Finally, Uruguay increased benefit levels of its two main public cash transfer programmes — the Uruguay Social Card (TUS) and the Family Allowances-Equity Plan (AFAM-PE) — during 2020 and 2021. The TUS is a monthly unconditional cash transfer delivered through a prepaid card to households in extreme economic vulnerability. AFAM-PE is a conditional cash transfer targeted at poor households with pregnant women or children under eighteen years of age, subject to educational and health requirements. A large majority of households receiving TUS also benefit from AFAM-PE (94 %). The number of beneficiaries of these two cash transfer programmes did not increase during the pandemic crisis, as the Uruguayan government opted to expand benefit levels rather than programme coverage. Furthermore, the Emergency Basket was introduced in 2020 to support informal workers not covered by TUS, AFAM-PE, or any contributory public programme. This measure remained in effect until March 2022.

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[7] The Household Targeting System, which operates under the Ministry of Social Inclusion and is responsible for the registries used to implement various cash transfer programs.

[8] Both the «Universal Family» bonus and the «Universal» bonus covered low-income households that had not been identified in the databases used to select beneficiaries for previous bonuses.

6

Labour and household incomes, inequality and poverty

As discussed above, the policies implemented during the pandemic influenced both labour and household incomes. This section examines these trends.

One indicator that captures the combined dynamics of employment and individual earnings is the aggregate per capita household labour incomes. Between the fourth quarter of 2019 and the second quarter of 2020 the average per capita household labour income declined markedly across all countries (Table 5). These contractions were driven by reductions in income from both formal and informal employment. However, consistent with the dynamics observed in employment levels, the decline was substantially larger among informal workers than among formal workers, even in Peru.

	Contraction phase (IVQ2019-IIQ2020)*	Recovery phase (IIQ2020-IVQ2022)**	Net Variation
Argentina			
Total labour income	-21.7	22.5	-4.1
Formal income	-10.8	8.5	-3.3
Informal income	-48.9	83.3	-6.3
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	-14.1	16.1	-0.2
Formal income	-12.2	15.1	1.0
Informal income	-30.1	26.7	-11.4

Notes: * In Colombia the period considered is IVQ2019-IIIQ2020. ** In Colombia the period considered is IIIQ2020-IVQ2022.

Table 5

Changes in total household per capita labour incomes (%). IVQ2019-IVQ2022

Source: own elaboration based on household surveys.

During the recovery phase (from mid-2020 onwards), rising employment translated into growth in per capita labour incomes across all countries. Consistent with the evolution of formal and informal employment during this phase, labour incomes from informality substantially outpaced that from formal employment. Despite the sustained employment recovery since mid-2020, total labour income in the fourth quarter of 2022 remained below pre-pandemic levels in all countries, except Brazil and Uruguay.

Given that labour incomes constitute a substantial share of total household incomes,[9] overall household incomes followed a similar trajectory, albeit with varying intensity. During the economic contraction, total household incomes declined less sharply than labour incomes. This difference was mainly explained by the relatively smaller contraction — or even an increase, in some countries — of non-labour income components. This pattern largely reflects the role of cash transfer policies implemented at the onset of the pandemic, which helped to offset the labour income losses (Table 6). However, this compensation was incomplete, being markedly stronger in Brazil than in the other countries.

[9] Data from the household surveys of the countries considered, as mentioned in Section 3, indicates that by the end of 2019 labour income accounted for an average of 73 % (Argentina), 72 % in Brazil, 80 % in Colombia, 78 % in Costa Rica, 87 % in Peru, and 69 % in Uruguay.

	Contraction phase (IVQ2019-IIQ2020)*	Recovery phase (IIQ2020-IVQ2022)**	Net Variation
Argentina			
Total	-17.0	8.2	-10.2
Labour income	-21.7	22.5	-4.1
Non-labour income	-4.3	-23.0	-26.3
Cash Transfers	193.4	-56.8	26.8
Pensions	-11.3	-15.0	-24.7
Other incomes	-36.4	-19.4	-48.7
Brazil			
Total	-8.9	3.9	-5.4
Labour income	-9.4	10.0	-0.3
Non-labour income	-7.8	-11.9	-18.7
Cash Transfers	216.3	-42.3	82.5
Pensions	-21.9	-6.5	-26.9
Other incomes	-41.5	27.5	-25.5
Colombia			
Total	-16.3	17.3	-1.9
Labour income	-18.7	21.6	-1.2
Non-labour income	-6.4	2.0	-4.6
Cash Transfers	52.2	50.6	129.2
Pensions	8.6	-17.2	-10.1
Other incomes	-29.0	29.3	-8.2
Costa Rica			
Total	-11.3	8.1	-4.2
Labour income	-20.2	17.3	-6.4
Non-labour income	20.4	-13.7	3.9
Cash Transfers	203.8	-69.6	-7.5
Pensions	7.2	7.9	15.7
Other incomes	-24.0	12.8	-14.3
Peru			
Total	-54.7	89.0	-14.4
Labour income	-59.9	117.1	-12.9
Non-labour income	-18.0	-7.9	-24.5
Cash Transfers	190.5	-74.2	-24.9
Pensions	-9.3	-21.2	-28.5
Other incomes	-33.2	15.4	-22.9
Uruguay			
Total	-10.2	11.2	-0.1
Labour income	-14.1	16.1	-0.2
Non-labour income	-1.6	1.9	0.3
Cash Transfers	28.7	-24.0	-2.2
Pensions	-0.4	0.2	-0.2
Other incomes	-13.0	17.7	2.4

Notes: * In Colombia the period considered is IVQ2019-IIIQ2020 and in Costa Rica June 2019-June 2020. ** In Colombia the period considered is IIIQ2020-IVQ2022 and in Costa Rica June 2020-June 2022. Data for Brazil are somewhat different from those included in Table 5, as different surveys were employed. The source employed in this table is the special module of the PNADC, while numbers in Table 5 were estimated from the quarterly results of PNADC.

Table 6

Changes in total per capita familiar incomes and their sources (%). IVQ 2019-IVQ 2022

Source: own elaboration based on household surveys.

Conversely, during the recovery phase, the rise in labour incomes outpaced the combined contribution of all other income sources. In Argentina, Brazil, Costa Rica, Peru, and Uruguay, cash transfer amounts declined, as these countries progressively scaled

back or discontinued the programmes. In contrast, in Colombia, total income from cash transfers continued to increase.

The increase in per capita household income did not fully offset the initial loss. By 2022, total household income remained below its 2019 level in most countries (and was broadly unchanged in Uruguay). In Argentina, Brazil, Colombia, and Peru, declines in non-labour income components compounded the effects of reduced labour incomes. Furthermore, in Costa Rica, Peru, and Uruguay cash transfer amounts at the end of the period were lower than at the beginning of the period (Table 6).

Changes in employment and incomes had non-neutral distributional effects (Table 7). In the initial phase of the crisis, per capita household income inequality increased in Argentina, Colombia, and Peru, with the largest rise observed in Peru, followed by Colombia, and Argentina. The Gini coefficient remained broadly stable in Costa Rica and Uruguay and decreased in Brazil. As employment began to recover, however, inequality fell in all countries. This improvement more than compensated for the initial deterioration, resulting in more favourable distributional outcomes three years after the onset of the pandemic.

	Gini		
	IV19	**II2020**	**IV2022**
Argentina	0.442	0.462	0.415
Brazil	0.548	0.515	0.513
Colombia*	0.523	0.562	0.495
Costa Rica**	0.526	0.525	0.514
Peru	0.465	0.642	0.448
Uruguay	0.411	0.418	0.408

Notes: * II2020 corresponds to IIIQ2020. ** IV2019 corresponds to Jun 2019, II2020 corresponds to June 2020, and IV2022 corresponds to June 2022.

Table 7

Evolution of the Gini index. Per capita household income. IVQ 2019-IVQ 2022

Source: own elaboration based on household surveys.

However, in all the countries analysed, the poverty rate in 2022 exceeded its pre-pandemic levels (Table 8), in line with the insufficient total household income recovery.

	2019	2020	2022
Argentina	35.5	42.0	39.2
Brazil	25.9	24.1	24.1
Colombia	35.7	42.5	36.6
Costa Rica	23.9	30	25.5
Peru	20.2	30.1	27.5
Uruguay	8.8	8.1	9.9

Note: The figures represent annual averages, except for Argentina, which pertains to the fourth quarter.

Table 8

Official poverty rates, 2019-2022

Source: own elaboration based on household surveys

In summary, three years after the onset of the pandemic labour incomes remained below their 2019 levels in all countries, except Uruguay and Brazil. Moreover, in all countries except Uruguay, total household incomes in 2022 were lower than in 2019. In Uruguay, both indicators were virtually unchanged. This income dynamic is reflected in higher poverty levels. At the same time, inequality levels were lower than or like those observed in 2019. To explore the factors associated with this pattern, the following section examines the distributive contribution of different income sources.

7

Examining the role of implemented policies

This section analyses a set of indicators and presents results from exercises based on household survey microdata. Together, these elements provide insights into the potential role that the policies implemented during the pandemic may have played in the evolution of formal employment, inequality, and poverty. It is important to emphasise that no impact evaluation is conducted in this paper, due to data and information limitations. Accordingly, the analysis relies on the presentation and critical discussion of different pieces of descriptive and associational evidence.

7.1. Measures to maintain formal jobs and the evolution of formal employment

As depicted in Table 9, based on administrative records on formal employment, the decline observed during the first two quarters of 2020 ranged from 3 % in Argentina to 23 % in Peru. In Brazil, approximately 2.3 million formal private-sector jobs were lost during this period, while Colombia and Peru experienced reductions of around 800,000 formal jobs each.

	Reduction of employment		Elasticities with respect to GDP			
	Absolut	%	Employment	Exit rate	Dismissal rate	Enty rates
Argentina	-219	-3.4	0.18	2.90	3.38	3.66
Brazil	-2304	-6.0	0.56	0.73		2.78
Chile *	-430	-7.8	0.71			
Colombia	-811	-9.5	0.76			
Costa Rica	-59	-5.9	0.64			
Peru	-885	-23.2	0.77	-3.26		0.32
Uruguay	-55	-5.6	0.46			

Notes: * Correspond to total formal employment.

Table 9

Variations in private formal employment and elasticities. IVQ2019-IIQ2020

Source: own elaboration based on household surveys.

These contractions could be considered relatively modest, when compared to the magnitude of the decline in economic activity. To account for this, Table 9 reports employment-output elasticities for each country. The underlying hypothesis is that, all else equal, broader coverage and greater sufficiency of employment-support policies would be associated with lower employment elasticities. Except for Argentina, these elasticities do not appear to be particularly low. However, direct cross-country comparisons are difficult, due to differences in data sources and methodological approaches.

A more informative strategy is to compare the employment response during the pandemic with that observed in previous recessionary episodes within each country. Such comparisons are possible for three countries. In Brazil and Chile, employment-output elasticities during previous recessions were higher (0.76 in 2014-2016 and 0.97 in 2008-2009, respectively), which could suggest some role for pandemic-related policies, given

that no comparable interventions were in place during those earlier episodes.[10] In Argentina, by contrast, the employment response in 2019-2020 was similar to that observed in two previous contractions: 0.26 in 2008-2009 and 0.22 in 2018.

Although this evidence is far from conclusive — given that factors other than policy interventions may differ substantially across episodes —, employment-output elasticities alone provide an incomplete assessment of the role of these policies. Even if employment-support policies were effective in limiting job losses, overall employment elasticities may remain high if entry into formal employment declined sharply. Information on entry into and exit from formal positions from administrative sources is available only for Argentina, Brazil, and Peru. In Peru, exit rates increased between the fourth quarter of 2019 and the second of 2020, as expected. In contrast, exit rates declined sharply in Argentina and Brazil, with the reduction being more pronounced in Argentina. Entry rates fell in all three countries, and the decline — relative to output — was again larger in Argentina.

The increase in exit rates observed in Peru may reflect the very limited efforts deployed to sustain formal employment, although the high prevalence of temporary formal contracts may also have played a role. The larger reduction in exit rates in Argentina suggests that policy interventions may have been more influential than in Brazil.

Nevertheless, a more appropriate benchmark would be to compare exit-rate elasticities with respect to output during the pandemic to those observed in earlier recessions. This exercise is only feasible in Argentina, and the results are mixed: the elasticity in 2019-2020 (2.9) was lower than that observed in 2018 (3.7) but higher than in 2008-2009 (1.6).

Exit rates, however, provide only a partial picture, as they reflect not only dismissals — the main target of employment-protection policies — but also voluntary quits. Data on dismissal rates are available only for Argentina, and they indicate that the elasticity of dismissals with respect to output for the period 2019-2020 (3.4) was higher than in the two previous episodes mentioned (1.0 and zero, respectively), suggesting a potential positive influence of the policies.

[10] As indicated before, in 2015 there was a programme supporting formal employment in Brazil, but it had very limited coverage, as it only included 100 enterprises.

Overall, neither employment-output elasticities nor exit-rate elasticities appear markedly different from those observed in previous downturns in the limited set of countries for which comparisons are possible. However, the available evidence does not allow for definitive conclusions regarding the effectiveness of the policies implemented to sustain formal employment. The key variable for evaluating these measures — dismissals — is unavailable for most of the countries under consideration. Where such data exist, as in Argentina, comparisons across episodes suggest a positive influence, although this effect may be more closely linked to the prohibition of dismissals during the pandemic than to employment subsidies *per se.*

Finally, even detailed information on layoffs would be insufficient to draw robust conclusions about the effectiveness of subsidy schemes. Such analyses would require access to firm-level administrative data, which are not publicly available and would need to be constructed by the relevant institutions. Two studies partially following this approach were mentioned earlier.

7.2. Cash transfer policies and the evolution of income inequality and poverty

Table 10 displays the results of the Gini index decomposition by income source. During the contraction phase, the most significant equalizing contribution came from cash transfers. Notably, in Brazil, the reduction in inequality was largely driven by this income component. In Argentina, Costa Rica, and Uruguay, the relative contribution of transfers was also substantial. This sharply contrasts with the unequalising effect associated with the evolution of labour incomes during the same period.[11] In Brazil, the reduction in the Gini coefficient attributable to increased transfers was nearly six times larger than the increase associated with declining labour incomes. In Costa Rica, this ratio was close to 100 %, while in Uruguay it reached 64 % and in Argentina approximately 50 %. In Colombia and Peru, by contrast, this ratio was around 10 %.

[11] This outcome may not necessarily reflect the distributive impact of formal employment support policies, as it is not possible to identify how incomes from this source would have behaved in the absence of such policies.

Source	Argentina	Brazil	Colombia	Costa Rica	Peru	Uruguay
Total labour incomes	4.4	0.5	4.4	2.2	17.8	1.0
Formal	1.9	-0.4	2.1	1.4	9.2	-0.2
Informal	2.5	0.9	2.3	0.7	8.5	1.1
Cash transfers	-2.3	-3.1	-0.4	-2.3	-1.3	-0.6
Pensions	0.9	-0.3	0.3	0.4	1.4	0.5
Other incomes	-1.0	-0.5	-0.3	-0.3	-0.2	-0.2
Gini variation (pp)	2.0	-3.3	3.9	-0.1	17.7	0.6

Table 10

Gini decomposition by income sources. IVQ2019-IIQ2020

Source: own elaboration based on household surveys.

The improvement in income distribution observed during the recovery phase — less pronounced in Brazil, Costa Rica, and Uruguay, the three countries that had experienced the smallest increase in inequality during the contraction phase — was mainly associated with a strong recovery of labour incomes (Table 11). Conversely, the Gini decomposition shows that changes in cash transfers had an unequalising effect in this period, except in Colombia, where their contribution was close to zero. This pattern is consistent with the scaling back of these policies in 2021 and 2022, either through reductions in benefit levels, coverage, or both, as described in Section 5.

Source	Argentina	Brazil	Colombia	Costa Rica	Peru	Uruguay
Total labour incomes	-4.7	-1.2	-4.8	-3.1	-18.5	-1.7
Formal	-2.6	-0.4	-1.9	-2.3	-9.0	-0.8
Informal	-2.2	-0.8	-2.9	-0.7	-9.5	-0.9
Cash transfers	1.7	1.3	-0.3	2.3	1.4	0.6
Pensions	-1.9	-0.6	-1.0	-0.3	-1.5	-0.4
Other incomes	0.2	0.2	-1.0	-0.1	-0.9	0.5
Gini variation (pp)	-4.7	-0.3	-7.0	-1.1	-19.4	-1.0

Table 11

Gini decomposition by income sources. IIQ2020-IVQ2022

Source: own elaboration based on household surveys.

Taken together, the two opposing dynamics of cash transfers over the period produced mixed distributional outcomes. Between 2019 and 2022, cash transfers contributed to a reduction in inequality in Argentina, Brazil, and Colombia (Table 12). These findings align with the fact that total transfer amounts were higher in 2022 than in

2019 in these countries. In Costa Rica, Peru, and Uruguay, by contrast, the overall distributional contribution of transfers was broadly neutral.

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

Table 12

Gini decomposition by income sources. IVQ2019-IVQ2022

Source: own elaboration based on household surveys.

Finally, Table 13[12] illustrates the extent to which poverty and extreme poverty rates would have been higher in the absence of cash transfer policies, both in 2019 and 2020. The results indicate that transfers played an important role in mitigating poverty, with even larger effect on extreme poverty. Compared to 2019, and as expected, the poverty — and indigence —, reducing effects of transfers were smaller in most countries (except for Peru) than those observed during the peak of the crisis around mid-2020, when transfer coverage and benefit levels were at their highest. Overall, these findings highlight the relevance of cash transfers in cushioning the distributive impacts of the pandemic, although with considerable heterogeneity across countries.

	Argentina		Brazil		Colombia		Costa Rica		Peru		Uruguay	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Actual extreme poverty	11.00	16.07	7.91	7.54	13.90	25.87	7.46	9.02	6.76	47.42	0.85	1.53
Extreme poverty without trar	14.40	24.32	10.73	16.26	15.07	27.17	12.22	19.56	7.67	49.81	2.48	5.20
Relative variation	31%	51%	36%	116%	8%	5%	64%	117%	14%	5%	193%	241%
Actual poverty	40.25	50.28	22.93	22.57	35.41	47.26	26.58	30.50	19.98	67.99	9.93	13.78
Poverty without transfers	41.01	53.88	25.91	32.20	36.28	48.46	30.34	40.72	20.66	69.14	13.19	18.68
Relative variation	2%	7%	13%	43%	2%	3%	14%	34%	3%	2%	33%	35%

Table 13

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

Source: own elaboration based on household surveys.

[12] These figures are authors' estimates and do not follow the criteria and the poverty lines used in the official estimates shown in Table 8. Instead, they were calculated using the ECLAC lines.

7.3. Methodological limitations and equity implications

As noted earlier, this study is subject to several limitations that should be considered when interpreting its findings. First, the analysis does not pursue formal causal inference and does not construct explicit counterfactual scenarios to estimate the impact of specific labour market or social protection policies. Although the use of nationally representative household survey microdata allows for a detailed and comparative characterization of labour market dynamics, income evolution, and distributional outcomes during the COVID-19 pandemic, the available data and institutional context impose important constraints on causal identification. In particular, the absence of longitudinal panel data, the limited integration between household surveys and administrative records, and the near-universal, overlapping, and rapidly evolving nature of emergency policy interventions, hinder the application of quasi-experimental methods.

Moreover, the paper analyses many policy interventions implemented during the pandemic — around forty measures — across seven countries. Undertaking a quasi-experimental impact evaluation for each individual policy would clearly exceed the scope of this study and would require a fundamentally different research design and data structure. The simultaneous implementation of multiple policies across countries and population groups, combined with severe mobility restrictions and widespread labour market disruptions, further complicates the identification of isolated policy effects and the construction of credible control groups.

As a result, the study relies on descriptive and correlational evidence, focusing on documenting short-term associations, distributional patterns, and immediate outcomes rather than estimating net policy effects. The methodological tools employed — such as the decomposition of inequality by income sources, analyses of employment elasticities, and poverty simulations with and without public transfers — are intended to provide informative descriptive evidence on the role of labour income and social protection during the crisis, rather than causal evaluations of policy effectiveness.

In addition to these methodological limitations, the analysis has implications for equity considerations that warrant explicit discussion. While the manuscript consistently distinguishes between formal and informal workers — both in the characterization of policy design and in the empirical analysis of labour income dynamics and inequality — , it does not provide disaggregated results for other population groups that are known to face heightened vulnerability, such as women, migrants, rural workers, or indigenous

populations. Extending the analysis to these dimensions would go beyond the scope of the paper, given the large number of countries under study and the analytical complexity involved. Furthermore, some of the methodologies employed, including the decomposition of inequality by income sources, cannot be readily implemented for additional subgroups, due to methodological constraints.

Nonetheless, previous studies for the region have documented that women experienced larger employment losses and slower recoveries, informal and rural workers faced greater exposure to income shocks, and migrants and indigenous populations encountered additional barriers to accessing social protection (ILO 2020, 2022a, 2022b, 2022c, ECLAC 2022b). These disparities may have influenced both the reach and the effectiveness of emergency measures, particularly in contexts where access to benefits depended on registration status, contribution histories, or digital platforms.

These considerations are essential for interpreting the aggregate results presented in this study and for informing the design of more inclusive and equitable policy responses in future crises. Within these constraints — stemming both from methodological limitations and from the absence of fully disaggregated analyses across population groups —, the study contributes by providing comparative and policy-relevant insights into labour market adjustment and social protection responses in Latin America, while leaving causal impact evaluation and more granular equity assessments to future research based on richer data and more suitable identification strategies.

8

Discussion and final remarks

Before the onset of the pandemic, the countries under analysis — despite differing degrees of development — had accumulated experience with cash transfer programmes, generally characterised by strict targeting criteria, primarily focused on the lowest income deciles. While these institutional advances proved crucial during the initial phase of the pandemic, the unprecedented scale and severity of the crisis required the rapid inclusion of individuals and households that had traditionally been excluded from such programmes. Additionally, notwithstanding cross-country differences in pre-pandemic progress, existing Social Security systems also enabled the implementation of policies targeting formal workers. Against this background, evaluating the lessons learned, the

advances achieved, and the remaining challenges associated with pandemic-era policies is particularly valuable.

In terms of lessons learned, rapid and timely intervention not only helped to limit the immediate loss of income and access to basic goods and services but also prevented the amplification of these negative shocks in the medium term. Cash transfer policies played a significant equalizing and poverty-reducing role. From a policy management perspective, however, these interventions faced various challenges. One concern related to the expansion and improvement of registries to identify individuals and households that had become vulnerable because of the crisis, while another concerned the payment mechanisms to be used.

Most of the countries considered, which had prior experience with cash transfers programmes, already had registries of beneficiaries and potential beneficiaries and made use of them when launching their programmes in 2020. These registries were used to select beneficiaries of COVID-19-related transfers, as was the case in Brazil, Colombia, or Peru. However, in each of these cases, this process also relied on ad hoc registries based on voluntary enrolment, generally conducted online. This approach was necessary, due to difficulties and limitations in existing registries. Some were not up to date and/or did not adequately cover certain beneficiary groups. In some cases, inadequate coverage reflected shortcomings in registration processes, while in others it stemmed from the fact that the registries had not been originally designed to include certain groups that were particularly affected by the pandemic, such as certain categories of independent workers and their families. Reliance on voluntary enrolment may also have introduced coverage biases, given unequal access to the internet and differences in digital literacy.

In Argentina and Costa Rica, the identification of the recipients relied exclusively on lists generated through ad hoc enrolment, given the absence of adequate registries.

It is worth highlighting the valuable practice of cross-checking data from beneficiary registries — both existing and *ad hoc* — with other administrative databases, such as Social Security records or registries of beneficiaries of existing social programmes.

This experience underscores the value of maintaining up-to-date registries of potential beneficiaries of different policies to enable a rapid response to labour and social crises, which are recurrent in the region. Such registries could, in turn, facilitate the design of more tailored measures that take in account the specific needs of different population groups.

There were also difficulties in the payment process, particularly at the initial stages, due in part to the limited financial inclusion of the targeted population. In Peru, most beneficiaries were initially required to collect payments in person at banks, which led to overcrowding at these facilities. In Argentina, most beneficiaries opted to withdraw payments from Automated Teller Machines (ATMs), which also created challenges in ensuring sufficient cash availability. Over time, programmes in both countries promoted the opening of free bank accounts. In Brazil, from the beginning of Auxilio Emergencial, payments were made through the public bank, which rapidly introduced a free digital account that was automatically opened for each beneficiary. However, limited access to digital technologies may have reduced coverage in certain regions and/or among very low-income groups (Licio 2022).

There is evidence that restrictions faced by existing registries, as well as difficulties with payment mechanisms, led to both inclusion and exclusion errors. However, evaluation studies find a relatively good targeting in some programs.[13]

Regarding the implementation of large payroll subsidy programmes in some countries, it is worth mentioning that Argentina and Brazil had prior, albeit limited, experience with similar interventions during periods of sharp Gross Domestic Product (GDP) contraction. As with cash transfers to households, these programs were rapidly implemented following the outbreak of the pandemic. As noted above, existing studies show that firms receiving the subsidy were less likely to close. However, although small and medium-sized firms benefited from these programs, coverage appears to have been less intensive among the smallest firms (see also Section 2). Difficulties in the application process and the need to negotiate with workers — at least in the case of Brazil — are possible explanations.

In more general terms, important lessons also emerge with respect to the coverage of formal workers. On the one hand, alternative strategies — such as those payroll subsidies versus expanded unemployment insurance, or broad-based coverage versus support limited to suspended, or reduced-hours workers — can yield different outcomes in terms of both horizontal coverage and firms' incentives to retain their workforce. On the other hand, withdrawals from individual Social Security accounts, while effective in

[13] See, for example, Oviedo and Rubalin (2021) for the «Proteger» programme in Costa Rica, or World Bank (2021), for the Brazilian AE.

sustaining incomes in the short term, entail longer-term costs, through reductions in future benefits, including retirement savings.

Regarding advances, in the case of transfers programmes, it is worth highlighting the rapid deployment of digital enrolment and delivery mechanisms, the expansion of coverage to previously underserved populations, and the temporary relaxation of eligibility criteria to ensure that support reached those most in need. Several country experiences illustrate these developments.

Ad hoc registration processes were rapidly and efficiently implemented in some countries and were later used to improve of the permanent registries; for example, in Brazil, a mobile app was quickly developed and deployed for the AE. Similarly, in Argentina, the database created to administer the IFE was later used, in 2022, to deliver new transfers on the other hand, utilized in 2022 the database built to grant benefits under the IFE programme, to provide new income transfers in response to rising inflation. Existing registries also benefited from updates and expanded coverage, as in the case of Sistema de Identificación de Potenciales Beneficiarios de Programas Sociales (SISBEN), in Colombia.

A mayor improvement stemming from the introduction of new cash transfers programs was the significant increase in financial inclusion in most of the countries analysed, as all — or a larger share — of payments ultimately came to be made through bank accounts.

With respect to programme adaptation, notable examples include the temporary extension of unemployment insurance, to cover suspension or reduced working hours in Uruguay and Chile, as well as the incorporation of domestic service workers into the unemployment insurance scheme in Chile. In Brazil, the expanded coverage of Bolsa Familia achieved during the pandemic was maintained thereafter, while in Argentina the «Alimentar» voucher — scaled up during the pandemic — became a regular programme. More recently, some countries have advanced in implementing policies aimed at promoting the creation of formal private jobs, an important step given the persistently high levels of informality in the region.

Despite these advances, three years after the pandemic, the structural characteristics of the Latin American economies and labour markets — most notably high informality and income inequality — remain largely unchanged. Employment recovery has been driven primarily by informal jobs, leading informality rates in many countries to return to pre-pandemic levels. As a result, the major labour and social challenges

already present in 2019 persist largely unresolved. From an institutional perspective, many of the policy innovations introduced during the pandemic were scaled back as labour markets recovered, with only a limited number becoming permanent features of the policy framework.

Overall, the region has experienced limited improvements in labour conditions, income distribution, and social policy architecture. Given the return to pre-pandemic conditions, the permanent adoption of counter-cyclical mechanisms and strengthened protections for informal workers and low-income households would have represented a valuable legacy of the crisis. In this regard, three issues deserve particular attention.

First, ensuring the sustainability and appropriate design of cash transfer policies in the post-pandemic period has become increasingly important. In a context of constrained fiscal space, the key challenge lies in improving the identification of potential beneficiaries and understanding their specific characteristics, to enhance targeting efficiency and policy effectiveness.

Second, greater integration between income transfer programmes for the working-age population and vocational training or labour market insertion policies is crucial. Although countries in the region operate a range of active labour market programmes targeting different groups, their coverage remains limited and their impact on formal employment is often modest. In principle, these programmes could pursue the dual objectives of providing income support to those facing greater barriers to employment and enhancing their prospects for accessing quality jobs. These limitations are further compounded by the uncertainty associated with ongoing technological changes.

Finally, adapting labour market institutions — particularly unemployment insurance — represents a promising avenue for reform. Expanding unemployment protection systems to include contingencies, such as temporary suspension or reduced working hours, could increase coverage, while preserving employment relationships, thereby enhancing resilience to future shocks.

9

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