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▶ 30 YEARS Edition

▶ **2023**
LABOUR
OVERVIEW

Latin America and the Caribbean

Executive Summary



ILO Regional Office
for Latin America
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The global economy faces a complex landscape: Maintaining a low and stable inflation rate, boosting counter-cyclical measures aimed at inclusive economic growth, and ensuring financial stability

- ▶ The global economy grew in 2022 (3.5 percent). The main boost to growth came from emerging and developing economies that grew 4.0 percent, while developed economies grew 2.7 percent in the year.
- ▶ According to the IMF, the world economy projects global growth to be 2.9 percent in 2023, advanced economies are expected to grow by 1.4 percent and emerging and developing economies by 4.0 percent.
- ▶ The growth of the economy was accompanied by a sharp increase in inflation rates, which, driven by the rise in commodity prices, reached levels not seen in decades.
- ▶ The 2022 global inflation rate was estimated by the IMF at 8.7 percent, the highest since 1996. The estimate for developed economies reached 7.3 percent, the highest since 1982. While, for emerging and developed economies the estimate reached 9.8 percent, the highest since 1999.

The Macroeconomy of Latin America and the Caribbean in 2023: Inflation falls against a backdrop of low growth rates

- ▶ The economies of Latin America and the Caribbean continued in 2022 the recovery initiated after the peak of the health crisis stemming from the pandemic was overcome,

albeit at declining rates (3.9 percent in 2022 versus 7 percent in 2021).

- ▶ The region is expected to grow again in 2023 by 2.3 percent according to IMF projections and 2.2 percent according to ECLAC projections. However, in both cases these rates are below the growth rate of 2022.
- ▶ The international context, characterized by low growth in the level of global activity and international trade and a high rate of inflation, has been an important driver for the performance of the economies of the region and is highly likely to continue to be so in 2024.
- ▶ In parallel, with the slowdown in growth, the region saw a widespread decline in inflation rates, from levels that in most countries reached in 2022 unrecorded highs in decades.
- ▶ The average inflation rate for the group of countries considered dropped from 8.1 percent in 2022 to 4.4 percent annualized in the first nine months of 2023.
- ▶ We can expect a 2024 characterized by slow growth and lower inflation. ECLAC projects a 1.9 percent growth for the region in 2024 (v. 2.2 percent estimated for 2023), while the IMF projects a 2.3 percent growth (equal to the estimate for 2023).
- ▶ If the IMF's projections are confirmed, Latin America and the Caribbean would end 2024 with GDP that would be 7.7 percent higher than in 2019, before the COVID-19 pandemic. However, this level of GDP would be 2.6 percent lower than the region would have had if it had continued to grow from 2019, at a rate similar to the 2010–2019-decade average.
- ▶ Thus, a complex macroeconomic scenario for the economies of Latin America and the Caribbean is set up, characterized by slow economic growth rates, limited fiscal space, high inflation rates, high levels of indebtedness and less liquidity in international financial markets.

▶▶ The performance of regional supply, demand and unemployment indicators so far in 2023 shows that almost four years after the outbreak of the COVID-19 pandemic, the region as a whole exhibits a full recovery in the employment and unemployment rate, although an insufficient recovery in the participation rate.

The labour market dynamics in Latin America and the Caribbean almost four years after the outbreak of the pandemic: full recovery of employment and partial recovery of labour supply

- ▶ The performance of regional supply, demand and unemployment indicators so far in 2023 shows that almost four years after the outbreak of the COVID-19 pandemic, the region as a whole exhibits a full recovery in the employment and unemployment rate, although an insufficient recovery in the participation rate. Comparing the averages of the first three quarters of 2022 with those of 2023, it is noted that the unemployment rate fell from 7.4% to 6.5%, accompanied by an increase in the employment rate from 57.9% to 58.2%. The participation rate went from 62.5% to 62.3%.
- ▶ It took two years for the employment rate contraction - during the first two quarters of 2020 - to return to pre-pandemic values.
- ▶ The macroeconomic slump resulted in a slowdown of the intensity of job creation so far this year. The difference in average employment rates in the first half of 2023, compared to the same period in 2022, (average of 16 countries) shows an increase of only one per cent. Even more worrying is the comparison between the first half of 2023 and the second half of 2022, where the difference is negative by about 1 percent.
- ▶ The volume of employment-to-population ratio has remained steady at around 57.5 percent / 58.1 percent during the last 5 quarters.
- ▶ Unlike occupation, the regional labor force participation rate still remains slightly lower than pre-pandemic records (-1 percentage point).
- ▶ As a result of the complete recovery of employment and the partial recovery of labour supply, the unemployment rate is significantly lower than in 2019.
- ▶ In most of the countries considered in this document, there is evidence of the slowdown (even reversal) in the volume of employment growth, consistent with what happened at the regional level.
- ▶ In 9 out of 16 countries, the occupancy rate in the second quarter of 2023 was still lower than the number recorded four years earlier. In 7 of the 16 countries,

▶▶ As a result of the complete recovery of employment and the partial recovery of labour supply, the unemployment rate is significantly lower than in 2019.

the economic participation rate in the second quarter of 2023 had reached or exceeded the same-quarter levels of 2019.

More intense recovery of employment in urban areas than in rural areas

- ▶ After the worst contraction of occupation and economic participation, and the greatest increase in the unemployment rate in urban areas compared to rural areas, the recovery of these indicators has been more intense in the former compared to the latter.
- ▶ While urban employment returned to 2019 rates, there is still some lag in rural employment. This, therefore, widened the employment gap in favour of the existing urban environment prior to the pandemic.
- ▶ The rate of economic participation, as mentioned above, is lower than pre-pandemic values in both areas, around – 2 percent.
- ▶ Due to the more intense recovery in employment than in labour supply, the unemployment rate dropped in both urban and rural areas, by 2.5 percentage points and 1.7 percentage points, respectively.

Divergence in the evolution of hours worked between groups of workers

- ▶ A significant group of countries recovered the total volume of hours worked evidenced prior to the pandemic. However, as with employment, there are in most cases signs of

dynamics deceleration, or even dropping, of this indicator in recent months.

- ▶ Behind this general picture are divergences in the dynamics of the average working hours per week, by different groups of employees.
- ▶ In 9 of the 11 countries with updated information, there is a contraction in the average weekly hours of domestic service compared to the hours worked four years ago. In some countries these contractions have been particularly significant, around 8 / 10 percent.
- ▶ The reduction in hours worked in domestic service has very significant implications for female employment, in particular for employment with lower educational levels.

Dissimilar dynamics of wage and non-wage employment

- ▶ In the regional comparison between the average of the first two quarters of 2023 and the same period of 2022, the highest dynamism of wage employment stands out, with an average increase of 3.5 percent compared to the increase of only 0.3 in non-wage employment.
- ▶ As in the year-on-year comparison, all groups of employed people (regional average) recorded an increase in the absolute number of workers compared to 2019. However, the intensities of these variations have been changing throughout the recovery phase. At the regional level, employment growth was similar among public and private sector wage earners, slightly above 7 per cent.
- ▶ Divergences appear within the group of independent workers. Over these four years, employment growth among self-employed workers was around 5.3 percent, compared to some stability in the case of employers.
- ▶ The latter, in turn, have not yet fully recovered from the contraction in the first phase of the pandemic in the vast majority of countries considered.

Different speed in the sectoral evolution of employment

- ▶ Recent developments in employment have also shown differences at sectoral level. In particular, with the exception of employment in agriculture and construction, the rest of the sectors showed positive variations between 2022 and 2023. In this dynamic, the increase in employment in the transport sector, financial services, and health services stands out.
- ▶ When the comparison is made between 2023 and 2019, there is a clear lag in the occupation of domestic workers with respect to the evolution of employment in the rest of the productive sectors. Averaging the countries considered, employment in this sector is about 5 percent lower than such registered before the onset of the pandemic. This insufficient recovery in occupation is added to the aforementioned drop in the average weekly hours worked in the sector.
- ▶ Among the sectors with the greatest dynamism of employment during the last four years are construction, transport, financial services and businesses and health services.

The evolution of employment led by informal occupations continues

- ▶ Job recovery has continued to be driven by growth in informal employment in most countries.
- ▶ Informal occupations accounted for around 40 and 95 percent of the net increase in employment between the third quarter of 2020 and the second quarter of 2023.
- ▶ However, the contribution of informal job growth has been declining since the onset of the recovery. Thus, the simple average of contribution of informal employment among these countries in the fourth quarter of 2020 was about 90 percent; and about 70 percent in the second quarter of 2022 and 61 percent in the same quarter of 2023.
- ▶ In most of these countries, however, there seems to be some reversal of this process during the first half of that year, with some

increase in the contribution of informality compared to the end of last year.

- ▶ In 5 of the 11 countries, the informal rate in the second/third quarter of 2023 was similar or even higher than that seen in the fourth quarter of 2019. Among them, some countries have regained the pre-pandemic level of total employment while others have not.
- ▶ In mid-2023, the regional informality rate (average of 11 countries) was 48 percent, slightly lower than the 2019 record (49 percent).
- ▶ In half of the countries considered, the rate of informality is even higher than the average number reaching, in some cases, 70 percent or more. In most countries with high levels of informality, this is even higher among women.
- ▶ Until a sufficient number of formal occupations are created -vis-à-vis the potential increase in labour supply- the risk of continued increase in employment informality will continue. This becomes more critical in the current context of strong uncertainty and slowing economic growth. Hence the importance of implementing or scaling up policies not only to sustain formal employment but to underpin the creation of new occupations of the kind in the region.

More intense job recovery among women and reduction of gaps

- ▶ At the regional level, the recovery in female employment continued to be more intense than that experienced by male employment. While for women the employment rate increased by 23 percent between the second quarter of 2020 and the second quarter of 2023, for men that increase was 17 percent.
- ▶ This favourable dynamic meant that in the second quarter of 2023, the employment rate of women exceeded by 1.6 percent the same quarter rate in 2019, while the employment rate of men was virtually the same in both quarters.
- ▶ Similarly, the recovery in labour supply of women compared to that of men (16.2 and 10.8 per cent, respectively) was also more intense.

The participation gap between the second quarter of 2023 and the same period in 2019, was similar for both sexes.

- ▶ These dynamics allowed that - after the initial increase in the gap in the employment rate and in the gap in the participation rate between men and women - both indicators returned to pre-pandemic values.
- ▶ However, despite this favourable behaviour, gender-specific job gaps are persistent and remain very high. In the second quarter of 2023, the regional female labour force participation rate was 51 per cent, 23 percentage points lower than that of men (74 per cent). The employment rate for women was 47 per cent, being 22.5 percentage points lower than that for men (69.6 per cent). The unemployment rate, on the other hand, was 7.6 percent and 5.6 percent, respectively.
- ▶ The greatest recovery in female employment is particularly strong among young women. There is still a difference of more than 40 percentage points in the employment rate indicator between men aged 25 and over and young women.
- ▶ The aggregate evolution of employment according to gender, however, averages divergent dynamics within each group according to the educational level of the workers.
- ▶ The negative correlation between educational attainment and the employment gap with respect to the situation in 2019, both among men and women, is evident. However, this is stronger among women.
- ▶ Women with lower educational attainment in the second quarter of 2023 remained significantly further away from the same-quarter employment rate in 2019 (- 8 percent) compared to any other group of employed persons. At the other end, the employment rate of highly educated men and women has (slightly) exceeded the values observed four years ago.
- ▶ The increasing trend in construction activities compared to the contraction of domestic service employment, reflects (at least partially) greater male recovery among those employed -with low educational level- compared to women as qualified.
- ▶ The employment rate of men with a university degree is 11 percentage points higher at the regional level than that of women with the same education level. However, even wider is the gender gap in people with low levels of education, 32 percentage points. Overall, the employment rate of the highest-skilled men (78 per cent) is 49 percentage points higher than that of women with low educational attainment (29 per cent).
- ▶ In this context, it is essential to adopt labour policies with a gender perspective that not only recognize, but effectively address, the barriers women face in their access to and progress in the labour market. It is key not only to remove existing barriers, but also to work actively to expand the range of job opportunities for women, especially those with lower skill levels.

The most intense evolution of employment among young people, but with persistence of high informality

- ▶ Since mid-2020, young people returned to employment more quickly than adults. The regional employment rate for young people in the second quarter of 2023 was 3.4 percent (1.3 percentage points) higher than the employment rate for the same period in 2019, while employment rate for adults was similar. This meant that the

▶▶ In the current context of a growing need for digital skills, vocational training emerges as an essential element to bridge the digital and skills gap between young people.

employment gap between the two age groups was slightly lower in 2023, compared to four years earlier.

- ▶ The regional employment rate (13 countries) of young people in the second quarter of 2023 was 41 percent while employment rate of adults was 62.3 percent.
- ▶ Despite the fact that the average unemployment rate among young people continued to decline, it remains very high at 14.4 per cent. But even some countries in the region show significantly higher rates than that, reaching values close to 30 percent.
- ▶ The regional informality rate among young people (10 countries), on the other hand, is 58 percent, significantly higher than the 45 percent recorded among adults.
- ▶ In addition, the hardest historical difficulties experienced by young people in the labour markets of the region persist. Among others, they face increased work intermittence due to intense hires and dismissals from the workforce. The greater occupational instability, in turn, is associated with its higher prevalence in informal, precarious, low-skilled activities.
- ▶ In the current context of a growing need for digital skills, vocational training emerges as an essential element to bridge the digital and skills gap between young people. In addition, it plays a crucial role in ensuring more employability and access to quality jobs for this group.

The loss of purchasing power of average wages and minimum wages in the face of inflationary acceleration

- ▶ The outlook of actual labour incomes has become increasingly complex due to the

acceleration of inflation and its negative impact on the purchasing power of wages.

- ▶ In most of the 9 countries with up-to-date information, average real hourly wages are lower than those recorded before the onset of the pandemic, four years ago.
- ▶ The price escalation also negatively affected the evolution of real minimum wages in several countries in the region. In 6 of the 17 countries the real value of this labour institution in the second half of 2023 was lower than the value in the first half of 2019. In some of them the loss of purchasing power amounts to 5 / 6 percent, even 9 / 16 percent. In the remaining 3 countries, the real minimum wage is similar to or slightly higher than the one seen four years ago. Therefore, only 8 countries have a significantly higher real value than in that year.
- ▶ In half of the countries considered in this study, the total real labour income in the first quarter of 2023 had not exceeded the end-of-2019 numbers. In most other countries, the positive difference in the total mass of labour income between 2019 and 2023 has not been of great intensity.

Labour market perspectives in the region: The prevailing need to implement and strengthen an integrated set of policies

- ▶ Given the confluence of different factors, an average unemployment rate is projected for 2023 at around 6.3 percent, ranging from 6.2 percent to 6.4 percent, and ranging from 6.5 percent to 6.8 percent by 2024.

- ▶ In addition, in the context of slowing economic growth, job creation may continue to be biased toward the generation of informal jobs.
- ▶ The loss of purchasing power of labour income means that the “worker poor phenomenon” – which means that people can live in poverty even if they have a job – can continue growing in the region. Moreover, considering that employment levels in several countries have returned to pre-pandemic values or close, but where the aggregate of real work and family income is still lower than at that time.
- ▶ Thus, a highly complex scenario is projected that demands the implementation and strengthening of an integral set of different types of policies.
- ▶ On the one hand, policies are needed to support job creation, with a special focus on formalizing work. On the other hand, given inflationary pressure, it is crucial to strengthen labour institutions, especially the minimum wage and collective bargaining mechanisms.
- ▶ Social dialogue plays a fundamental role in navigating this path, considering the needs and possibilities of both workers and employers. This becomes even more important in an ever-changing work environment, where closing persistent job gaps becomes crucial to maximizing the benefits of digital, demographic, and fair transitions.
- ▶ Finally, it is imperative to make decisive progress in guaranteeing income for those most affected by the loss of purchasing power, along with the implementation of active policies in the labour market.

Special Topic: Three Decades of Analysis to Build Decent Work

- ▶ Over the past 30 years, the ILO Regional Office for Latin America and the Caribbean has continuously published the report “Labour Overview for Latin America and the Caribbean”. The second section of this edition called “Special Topic” takes us through a journey of this annual publication, which has become a regional flagship, being a very valuable tool, to promote social dialogue around the situation of the regional labour market and the design of labour policies to address crises, adapt to changes, support employment generation, and promote decent work.
- ▶ The Labour Overview has been strongly focused on collecting and analysing the main labour market indicators such as participation, employment, unemployment, and wages, with information mainly from Household Surveys. In addition, countries have been introducing changes in collection methods, geographical areas and the definition of some concepts, allowing the measurement of new forms of work and improving comparability at regional and global levels.
- ▶ The group of countries with data has also grown. From the small set of countries for which information was originally published at the city level, there are now 18 Latin American and 10 Caribbean countries with labour force surveys. This improvement in access to and quality of labour market information has enabled the Labour Overview to present detailed analyses of the labour market situation to inform governments, employers and workers.
- ▶ Since its inception, the Special Topic has been dedicated to presenting analysis of different specific labour problems that account for the interests and needs that marked the economic, social and labour debate in the region. Key issues related to the ILO mandate -such as job quality, wages, active labour market policies, international labour

standards, social security, and the gender dimension in the world of work, among others- were present since the first report in 1994.

- ▶ The following editions included more detailed analyses of specific population groups such as migrants, indigenous people, and Afro-descendants and institutional aspects such as collective bargaining, and policy analysis to address economic crises.
- ▶ The third part of this Special Topic introduces a series of stylized facts of the performance of the world of work that marked the last three decades.
- ▶ In particular, it discusses the changes in the structure of employment, highlighting the decline of agriculture, the stagnation of industry, the sustained growth of services, and great productive heterogeneity within and between economic sectors, as well as between regions and territories; the progress, albeit insufficient, of women in the world of work, noting that the labour participation rate of women aged 15 and over rose from 41.3% in the early 1990s to 53.9% on average in 2022, although it is still lower than that of men (76.3%).
- ▶ It also highlights the ongoing challenge for the inclusion of young people and their projection towards decent work trajectories, in a context in which youth unemployment rates are more than double the total and employment and participation rates are significantly lower; and the progressive attention to older adults, who require both labour policies and greater economic security, with a clear tendency to increase their participation and employment rates.
- ▶ In addition, there is an in-depth analysis of technological advances and accelerated digitalisation, in particular the challenges of the present and future of work, especially the adaptation of legislation and institutions; the growing expansion of work by platform, with needs and dilemmas for its measurement and regulation; as well as remote work and telework and the reconsiderations that arose in this area with the COVID-19 pandemic, and which will continue in the post-pandemic and in the future.
- ▶ Other aspects considered in this section were lifelong learning and the strategies for its inclusion, the reduction of gaps and the increase in productivity; ending with the assessment of the sustained progress in the coverage of social protection, although gaps, insufficient benefits and sustainability risks persist, and its adaptation to new challenges, such as the demographic transition and climate change.
- ▶ In order to commemorate the thirty editions of this publication, in November 2023, a Regional Symposium was held in the city of Santiago in Chile. The event addressed the current context of work and employment in light of the advances and challenges that conditioned and/or favoured performance in terms of job creation, income opportunities and working conditions in the region. The fourth part of the Special Topic summarizes some of the reflections that emerged from the event related to the main challenges facing the region in terms of the future of work. In particular, the role of social and labour policies and institutions in addressing the present and future challenges of the regional labour market, such as economic, productive and social opportunities in the face of a changing world of work.
- ▶ Other important topics were labour protection in the context of technological changes and transformations in the world of work; climate and environmental change and its effects on the world of work in Latin America and the Caribbean; and, finally, the transformation of the formal and informal economy, together with the challenges of measurement and implications for the adequacy of labour institutions and decent work policies.

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