



Food systems and COVID-19 in Latin America and the Caribbean: Labour market response

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1. Editorial



The coronavirus (COVID-19) pandemic came to Latin America and the Caribbean at a time of macroeconomic vulnerability.

Despite the extraordinary and often unprecedented measures introduced around the world, the damage caused by the COVID-19 crisis to labour markets is enormous and leaves policymakers facing significant challenges.

Recovery for the rest of 2020 will be slow and incomplete, and will largely depend on decisions taken as well as on the future trajectory of the pandemic.

The world will emerge from this situation with higher levels of unemployment, inequality, poverty, debt and social pressure. The recovery process will, therefore, represent an immense challenge for countries, and the support of the international community will be indispensable. In this scenario, the opportunity cannot be missed to rebuild better instead of rebuilding as usual, with the same limits as always. **The recovery process must go hand in hand with transformation.**

The recovery process must be transformative. Therefore, it is necessary to consider that rural employment goes beyond food production. Agrifood systems require a range of services that have been growing with the pandemic, such as logistics and online digital services.

Besides, rural areas are presented as an opportunity for the generation of more sustainable jobs that are also more resilient to other threats we face, such as climate change.

2. Mensajes clave



- The pandemic reached Latin America and the Caribbean at a time of economic weakness, which is conditioning the countries' response to the crisis.
- Initially, the loss of working hours was caused by measures that restricted the free movement of workers to their workplaces. The areas most affected by these measures have been the Americas (North, Central and South).
- Subsequently, the economic crisis caused by the pandemic will lead to job destruction and increased unemployment.
- There has been a general deterioration in the quality of employment, due to an increase in informality and a decrease in hours worked. Women, young people and migrants are mainly affected.
- The labour market has been strongly affected in the service and trade sector, especially in the Caribbean.
- Employment in the agrifood sector, on the other hand, has been less affected. Even if unemployment among workers in the fisheries and aquaculture sector has increased considerably. It is therefore necessary to keep a close eye on the development of highly perishable products.
- The responses that the region can provide are conditioned by the highly informal structure of labour markets and the reduced fiscal space for the implementation of counter-cyclical social and labour policies.
- The recovery during the second half of the year is expected to be slow and partial.
- The new long-term measures should seek to reduce the vulnerability of the regional labour market to future crises, so it is necessary to strengthen the state and increase the formalisation of the labour market.
- Also, it is necessary to stop conceiving rural areas only as a source of food. It can also play an essential role in generating more sustainable sources of employment, but this requires investment in human capital and the development of new, innovative and "climate-proof" sources of employment.



3. Labour market developments during the COVID-19 crisis



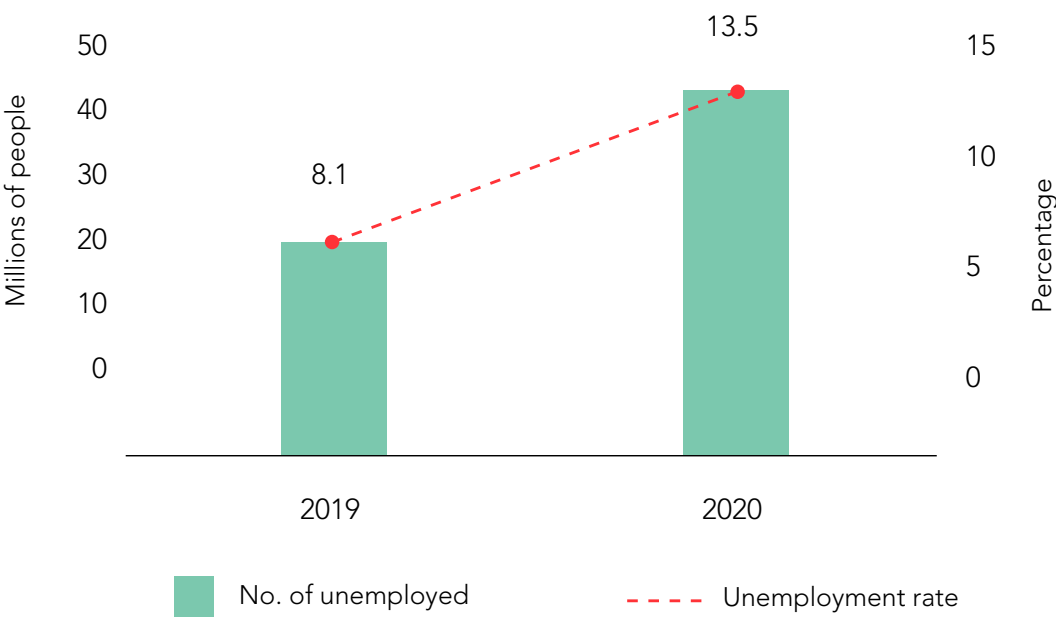
3.1. General performance of the labour market in the face of the pandemic

The COVID-19 pandemic appeared in Latin America and the Caribbean at a time of particular macroeconomic weakness and vulnerability. The region’s fiscal space was reduced by limited government income, mainly due to the slowdown in economic activity, tax evasion, the fall in international prices of raw materials, the reduction of tariffs due to trade opening, and the growing tax waiver due to concessions to free zones and the maquila industry. The growth rate of regional gross domestic product (GDP) had fallen from 6 percent in 2010 to 0.2 percent in 2019 (ECLAC and ILO, 2020).

Thus, when the COVID-19 pandemic began, the region was going through a difficult time, and the pandemic made things worse, becoming the final cause of the most significant economic and social crisis in decades.

The labour market has been badly hit. Unemployment is projected to rise by 5.4 percent compared to 2019 (8.1 percent), reaching 13.5 percent. This figure is equivalent to 44.1 million unemployed people, an increase of nearly 18 million compared to 2019 (26.1 million unemployed) (ECLAC, 2020).

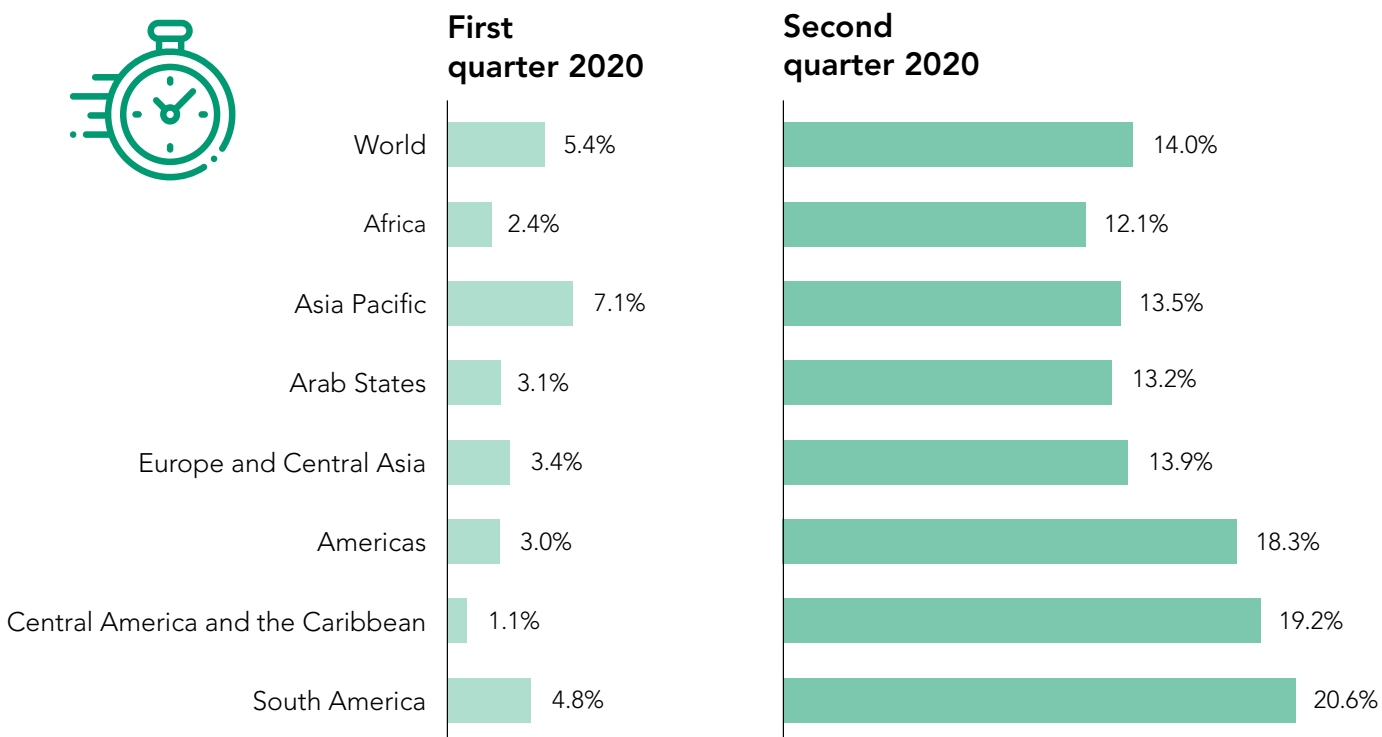
Figure 1. Numbers and rate of unemployed (%), observed and projected, in Latin America and the Caribbean, 2019 and 2020.



Source: FAO, based on ECLAC and ILO (2020), and ECLAC (2020).

Unemployment is not the only impact on the labour market: many people are not unemployed, but they have seen their working hours reduced. The International Labour Organization (ILO, 2020a) began to measure the loss of working hours, an aggregate indicator to measure the impact of COVID-19 on the labour market. It measures people who are inactive, unemployed or working fewer hours.

Figure 2. Loss of working hours (%) in the first and second quarter of 2020, in relation to the last quarter of 2019



Source: FAO, based on ILO (2020a).

In the first quarter of 2020, the world lost an average of 5.4 percent of working hours, compared to the last quarter of 2019 (before the pandemic), namely, around 155 million full-time working days (assuming a 40-hour week). Initially, the region most affected was Asia-Pacific (where the pandemic originated).

During the second quarter, the crisis has worsened considerably. The world has lost an average of 14 percent of working hours, equivalent to 400 million full-time days. South America and Central America are currently the hardest hit subregions, with a loss of 20.6 and 19.2 percent of working hours, respectively (ILO, 2020a). This may be due to lower internet penetration and a large proportion of informal workers in developing countries (ILO, 2020a).



Before the crisis, informal workers were at a severe disadvantage; today, they have suffered most from the consequences of the pandemic. In Latin America and the Caribbean, the average rate of informality before the pandemic was about 54 percent. Informal workers do not have access to quality health services and, given the characteristics of their work, are more exposed to contagion. They also have generally low incomes and limited savings capacity to cope with prolonged periods of inactivity. Nor do they have income replacement mechanisms, such as unemployment insurance, which are generally linked to formal work (ECLAC and ILO, 2020).

This situation would negatively affect the dynamics of poverty and inequality and the achievement of the commitments of the 2030 Agenda for Sustainable Development. It is estimated that by 2020 the poverty rate will increase by up to 4.4 percent and extreme poverty by 2.6 percent compared to 2019 (ECLAC and ILO, 2020).



Informal workers are mainly migrants, young people and women. In fact, the crisis has exposed the extreme vulnerability of migrant workers, especially those in an irregular situation. Without access to sufficient income or emergency labour and social protection, the pandemic minimises the possibility of migrant workers returning to their countries, due to lack of money and closed borders, so they find themselves in a kind of double confinement. This situation is aggravated in many cases by the suspension of the services of public visa regulation bodies in destination countries (ECLAC and ILO, 2020).



The crisis triggered by COVID-19 adversely affects young people, and not only in the labour market, which could lead to the emergence of a "confined generation". Almost 77 percent of young workers worldwide were employed in the informal sector. An ILO global survey (ILO, 2020c) indicates that at least 1 in 6 young people has stopped working since the start of the COVID-19 pandemic. Besides, technical and vocational education and training (TVET) such as on-the-job training has been very adversely affected.



In the case of women, 90 percent of women workers in low and lower-middle -income countries are informal (ILO, 2020a).

1. Forty percent of women work in sectors that have been badly affected by the crisis, such as hotels, restaurants, retail and trade. This is particularly relevant in Central America, where almost 60 percent of women work in sectors struck by the crisis. Also, a significant proportion of women are in a situation of double vulnerability because they are informal workers: 42 percent of women working in sectors that have been heavily hit by the crisis are informal, compared to 32 percent of men.
2. The vast majority of people working in domestic services are women, and this is another sector affected by the crisis. Besides, a large number of these women are informal and immigrants (which represents a higher degree of vulnerability).
3. Seventy percent of the workforce in health and social work are women. Since they are working at the forefront, they are at greater risk of being infected with COVID-19.
4. During the crisis, women have taken on at least three-quarters of the unpaid care work, such as raising and educating children, making it difficult for them to do other paid work.

These disproportionate impacts on women could spoil some of the progress made in gender equality in the labour market to date and exacerbate disparities.

The COVID-19 crisis will increase informality, both because of the loss of formal jobs that will become informal, and because of the temporary suspension of the employment relationship which will mean, in practice, jobs without access to labour benefits and social protection. Estimates by the Inter-American Development Bank (IADB) indicate that the level of labour informality may reach 62 percent due to the pandemic (Altamirano, Azuara and González, 2020). This will undoubtedly make it difficult to achieve the objectives of employment and social protection policies, and to provide a coordinated response.

3.2. Agrifood labour market performance in the face of the pandemic

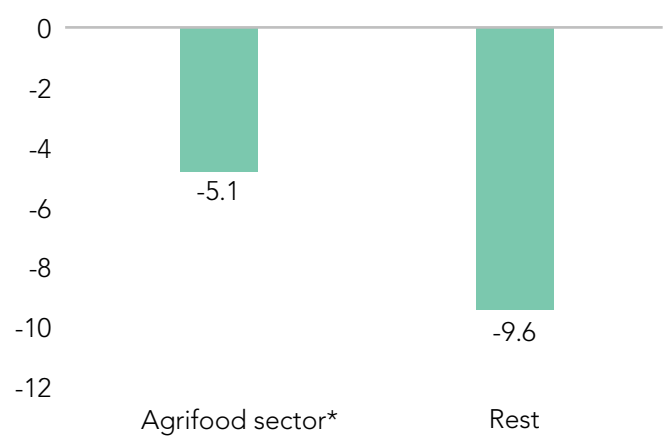
According to estimates by the Economic Commission for Latin America and the Caribbean (ECLAC, 2020), economic activity in the region is expected to contract by 9.1 percent during 2020. This reduction in economic activity, which is also present in China, the United States of America and Europe, will hurt Latin America and the Caribbean in terms of volume and price, especially for raw materials. Some important productive sectors in the countries of the region are part of global value chains in which the United States of America and China play a key role (ECLAC and ILO, 2020).

However, as highlighted in a previous issue of this same series (FAO and ECLAC, 2020a), international trade in the agrifood sector, in relation to the rest of the productive sectors, has not been so affected by the crisis. Moreover, exports of agrifood products harvested in the region have increased by 6 percent in the last six months, compared to the same time last year. This figure becomes crucial when we consider that the rest of the goods exported by the region have fallen by 21 percent.

The crisis will seriously affect the workers related to sectors such as tourism (airlines, accommodation, restaurants and hotels), trade and manufacture. These sectors are labour-intensive and some, such as trade, concentrate a high proportion of informal employment. Other sectors that will also suffer a medium-high impact are transport and storage, as well as entertainment and cultural activities. It is estimated that 42.4 percent of employment in the region is in high-risk sectors and another 16.5 percent in medium-high risk sectors (ECLAC and ILO, 2020). This is especially relevant in the Caribbean, where many workers depend on tourism and services.

While it is true that there is a high level of informality in work related to agriculture, livestock, forestry and fishing, workers are at medium to low risk of being impacted by the crisis. However, there is no reason to be complacent: if COVID-19 spreads to rural areas, the paralysis of activities in this sector could also be considerable (ECLAC and ILO, 2020).

Figure 3. Impact of the crisis on unemployment in the agrifood sector and other sectors (percentage change in the number of people employed between January and June* 2020 compared to the same period in 2019).



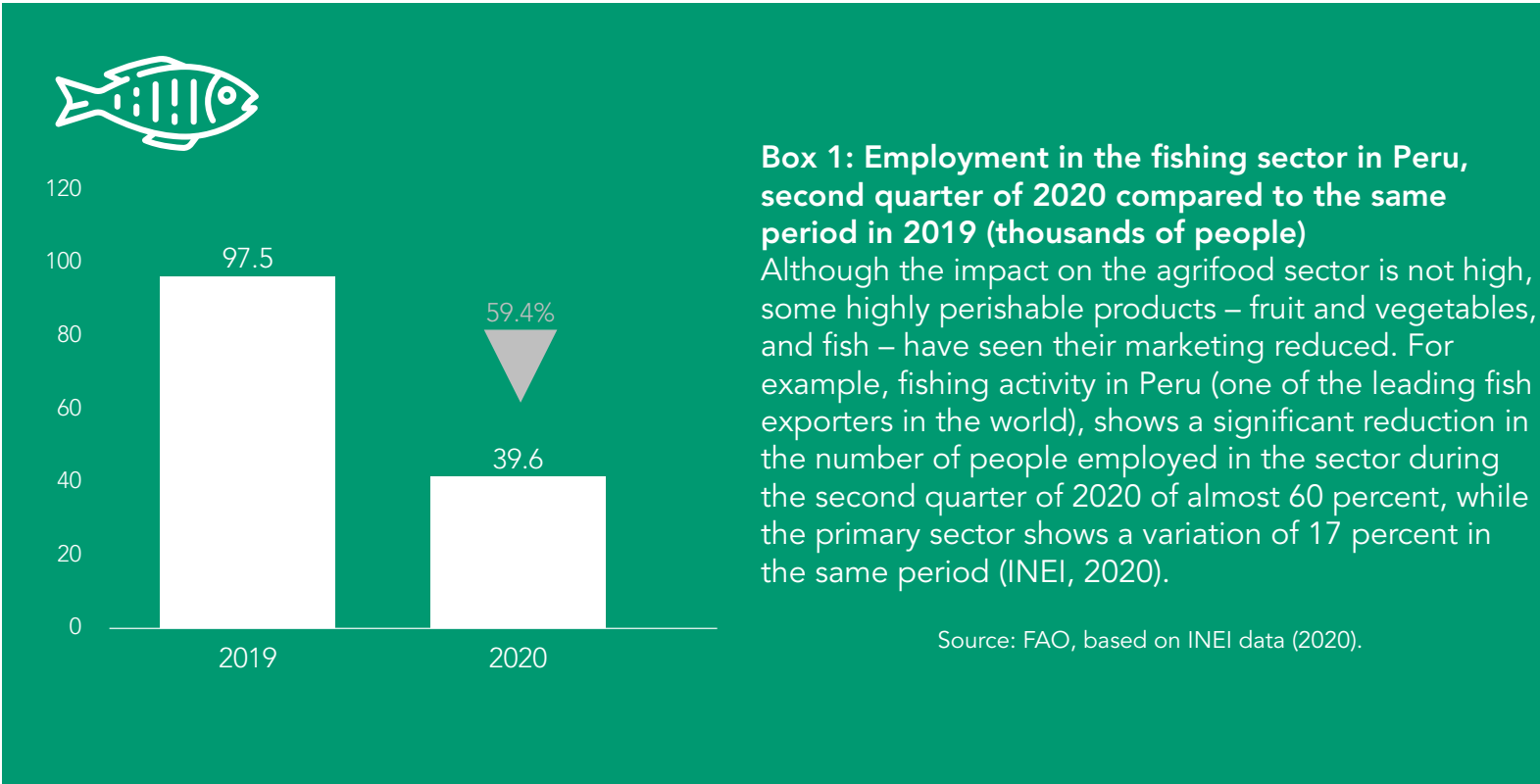
*Temporary horizon between January and July in Chile, and between January and May in Argentina. Data for Argentina correspond to registered private sector employees based on administrative records.

**Employment is not a strictly comparable indicator across countries, although all figures represent average changes versus the same period in the previous year. In some cases, quarterly data are available (Brazil, Costa Rica, Mexico and Peru), or moving quarter (Chile and Colombia) or monthly data (Argentina). The agricultural sector is not the same for all countries: Peru includes mining, others do not consider forestry and hunting. However, this approximation is used because we do not yet have all the post-pandemic data for countries in the region.

Source: FAO, based on information from national sources in seven countries: Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico and Peru.

Figure 3 shows that the variation in the number of people employed in the first half of 2020 in relation to the same period in 2019 in the agricultural sector is -5.1 percent, which reflects the effects of the health crisis on employment in the primary sector. The negative effect on the number of employed persons is more evident in the other branches of economic activity so far this year. The minor effect the crisis has had on the agrifood sector is due in part to the fact that its products have been considered essentials, which has led governments to free their workers from the restrictions which affect the rest of the economic sectors (FAO, 2020).

It is critical to consider that the values between one year and another are not strictly comparable. The pandemic has meant that employment surveys, previously conducted in person, are now conducted via telephone or web. Because of this methodological change, there may be sampling bias, especially in rural areas, where it is more difficult for employed people to answer the phone, have coverage or access the internet. For example, in Chile, in the agriculture, livestock, forestry and fishing sector, the number of employed persons is underestimated by -4.3 percent at the national level (ODEPA, 2020).

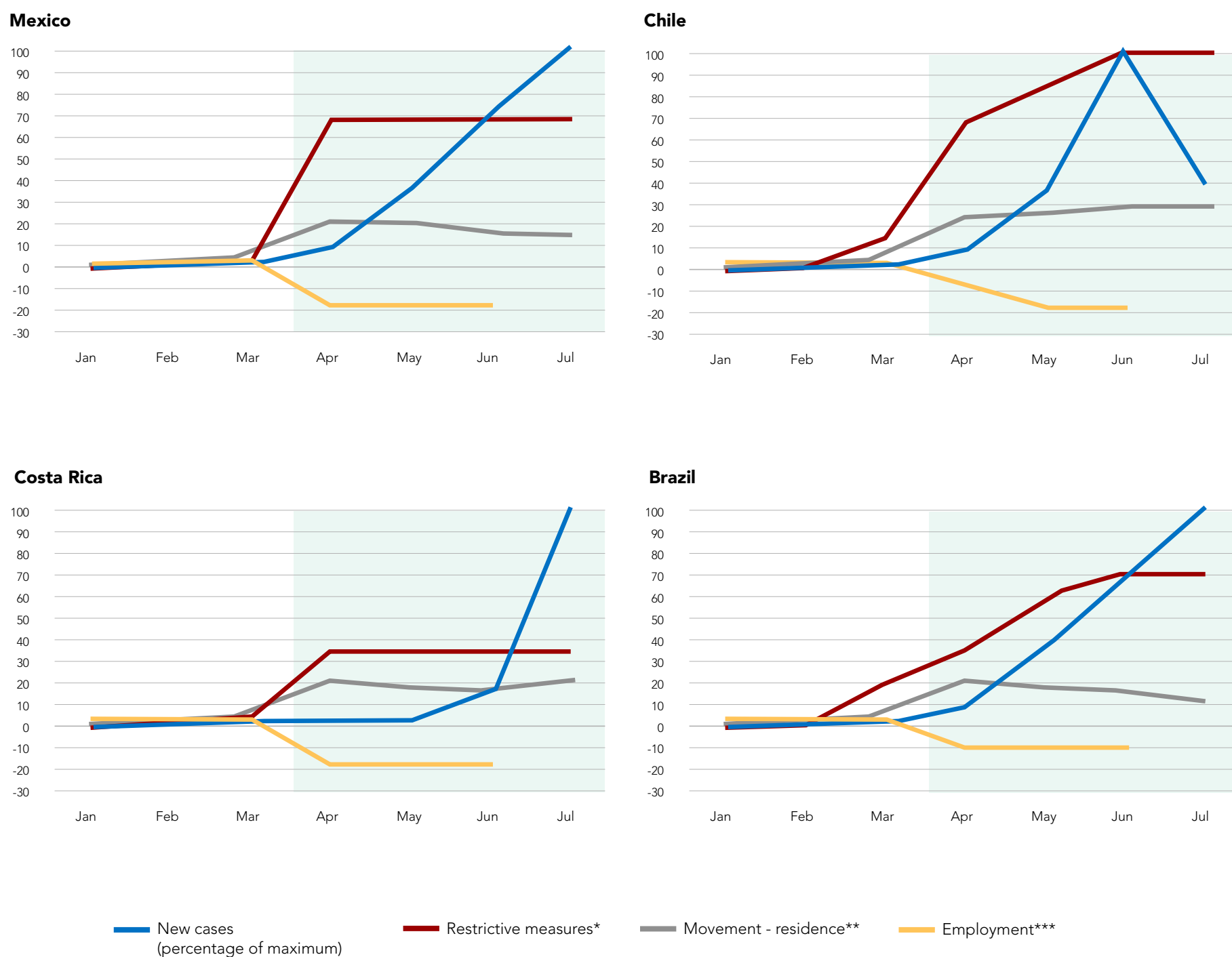


3.3. Connection between restrictive measures and the labour market

Globally, employment generally worsened with the implementation of restrictive measures: the more intense the measures, the worse the effects on employment (ILO, 2020b). It is not possible to reactivate the labour market with a high number of infections on the streets, especially when physical distance has proved to be an effective measure to control infections.

Employment, at the end of quarantine, is expected to continue to decline in most countries, as it is a lagging variable.

Figure 4. Employment, restrictive measures, COVID-19 cases and movement (%), 2020



* Restrictive measures refer to the "Stay at home orders" index, which, according to the Oxford Government Response Tracker, is expressed as a percentage of the maximum index value.

** According to Google, movement refers to mobility, reflecting the percentage change in time in "residences" versus the first five weeks of 2020.

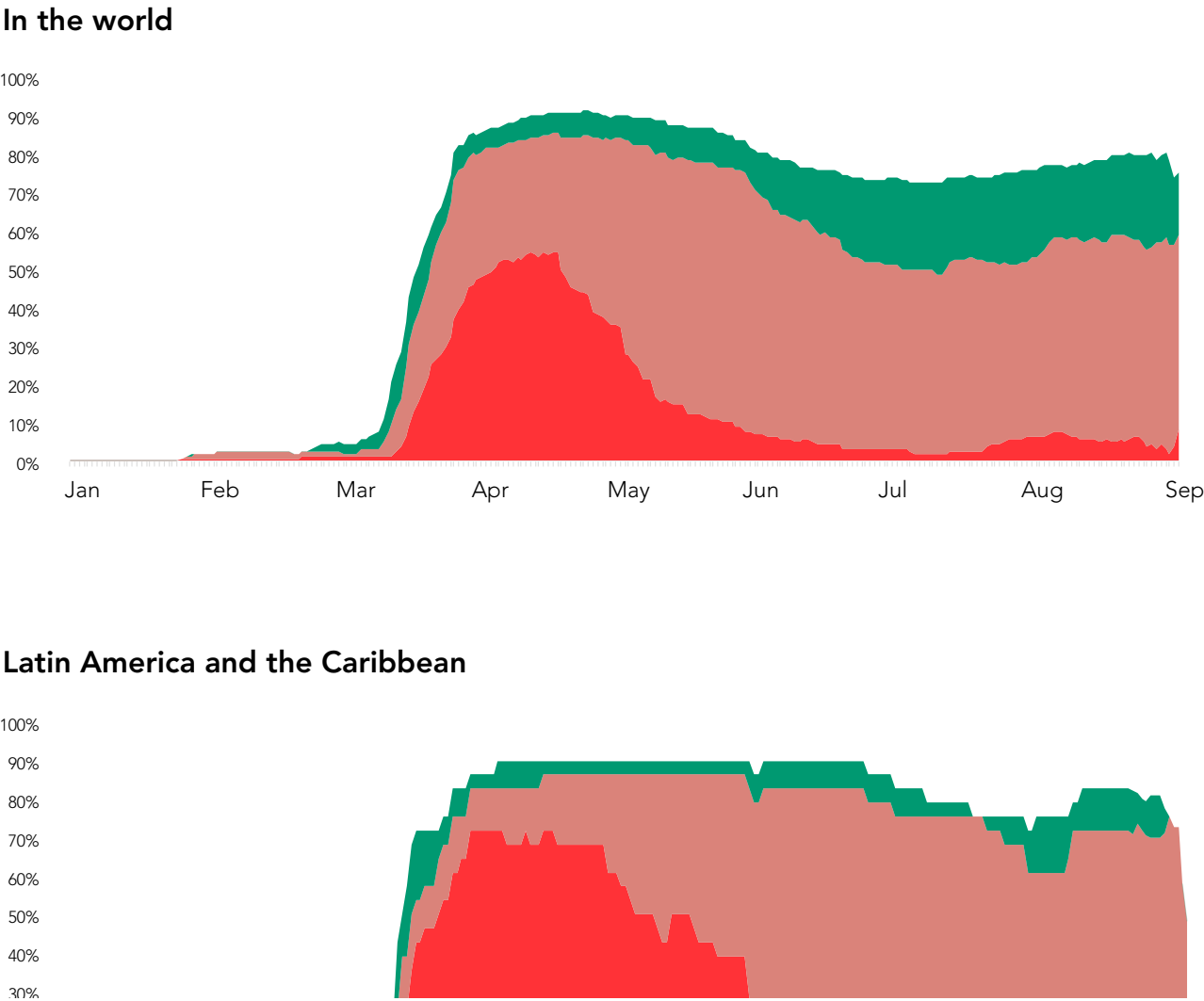
*** Employment is not a strictly comparable indicator between countries, although all figures represent changes compared to the same period of the previous year. In some cases, quarterly data are available (Brazil, Costa Rica, Mexico and Peru), or moving quarters (Chile and Colombia) and monthly data (Argentina). In Argentina, the data are from administrative records.

Source: ECLAC based on Google LLC (2020), University of Oxford (2020) and national sources for employment.

After analysing workplace restrictions worldwide, it was found that 93 percent of workers reside in countries with some measures that prevent the normal opening of their workplace (ILO, 2020a). These measures, by the way, began to be relaxed since April. By September of this year, it can already be seen that less than 10 percent of workers are residing in countries with workplace closures for all but essential sectors (a measure considered severe); that almost 50 percent are residing in countries with workplace closures for some sectors (medium severity); and that less than 20 percent are residing in countries with recommendations for workplace closures (low severity).

To date, Latin America and the Caribbean is the only region that maintains high levels of severe restrictions (only basic input sectors are allowed). Even if, during the first days of June, it could be seen that very few countries in the rest of the world were implementing such drastic measures. This may account for the highest impact on the loss of working hours in the region.

Figure 5. Countries by level of workplace restrictions (%).



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