

The social challenge in times of COVID-19

12 May 2020

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Executive Secretary

Economic Commission for Latin America and the Caribbean (ECLAC)



UNITED NATIONS

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COVID-19 Observatory
in Latin America and the Caribbean
Economic and social impact

Messages

- 1. The historical weakness of the welfare State in the region is limiting the response to the crisis.**
- 2. Poverty, extreme poverty and inequality will increase in all countries in the region.**
- 3. Large sections of the population are vulnerable to losing labour income.**
- 4. The effects of the pandemic are different according to social groups and their response capacity.**
- 5. The main measures announced to date to support the vulnerable population living in poverty comprise cash transfers, provision of food and support for basic services.**

ECLAC PROPOSALS

Urgently:

- ☐ Income equivalent to one poverty line for six months for the entire population living in poverty in 2020 (215 million, 34.7% of the population)

From a strategic perspective:

- ☐ A universal basic income
- ☐ Universal social protection (health, pensions, unemployment insurance)
- ☐ Welfare State based on a new social compact (fiscal, social and productive)

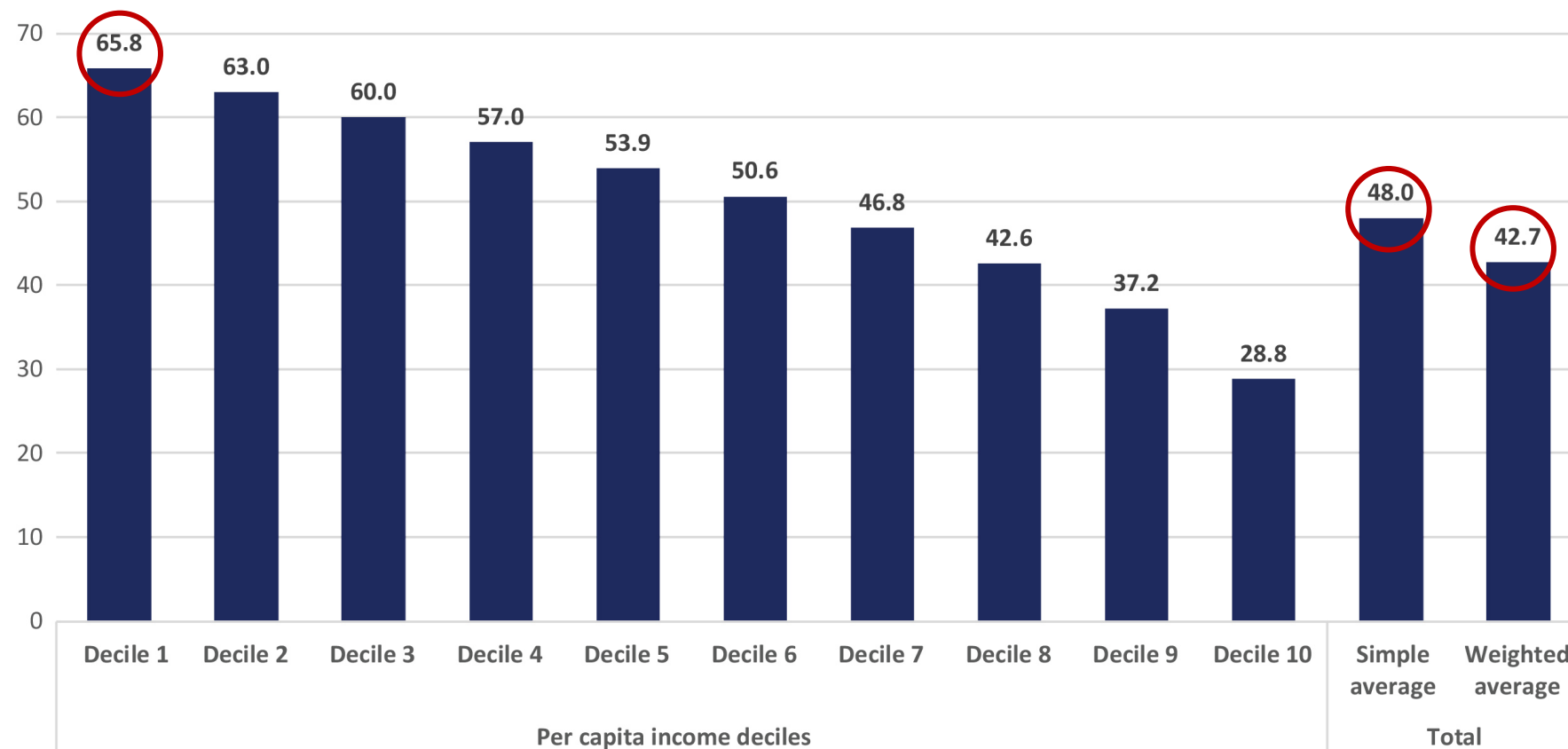
**The fragility and vulnerability
of the welfare State is limiting
the response to the crisis**



Access to health-care systems is fragmented by income strata

In the first income decile, **65.8% of workers** are not affiliated or contributing to a health-care system

Latin America (14 countries): affiliation or contribution to health systems by employed persons aged 15 and over by income deciles and total, 2016
(Percentages)

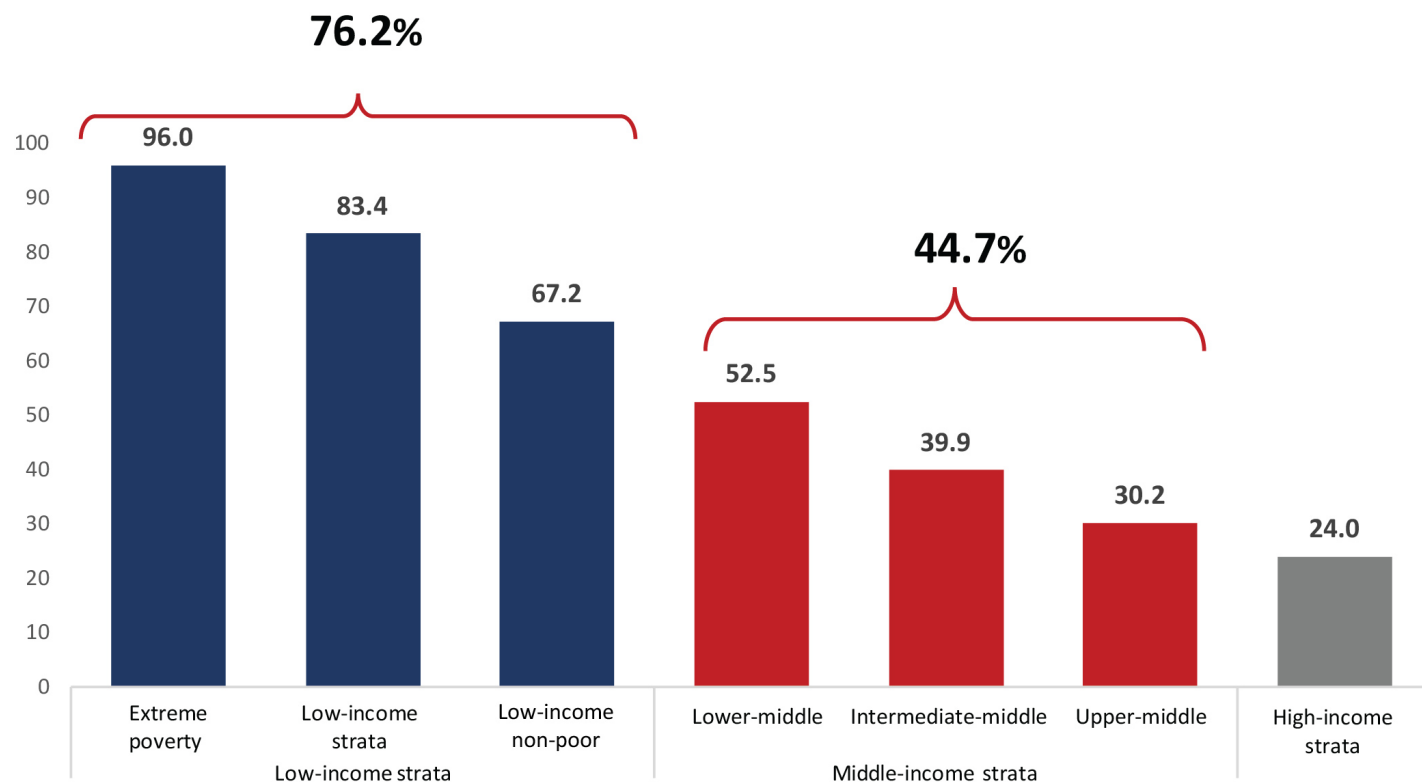


Source: ECLAC, Social Panorama of Latin America 2018.

Simple average of the countries by deciles. The countries included are: Argentina (urban areas), Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Paraguay, Peru, Plurinational State of Bolivia and Uruguay (urban areas).

The most vulnerable groups are excluded from pension systems

Latin America (18 countries): economically active persons aged 15 or over^a
who do not affiliate to or do not contribute to pension systems,
by per capita income strata, around 2017
(Percentages)



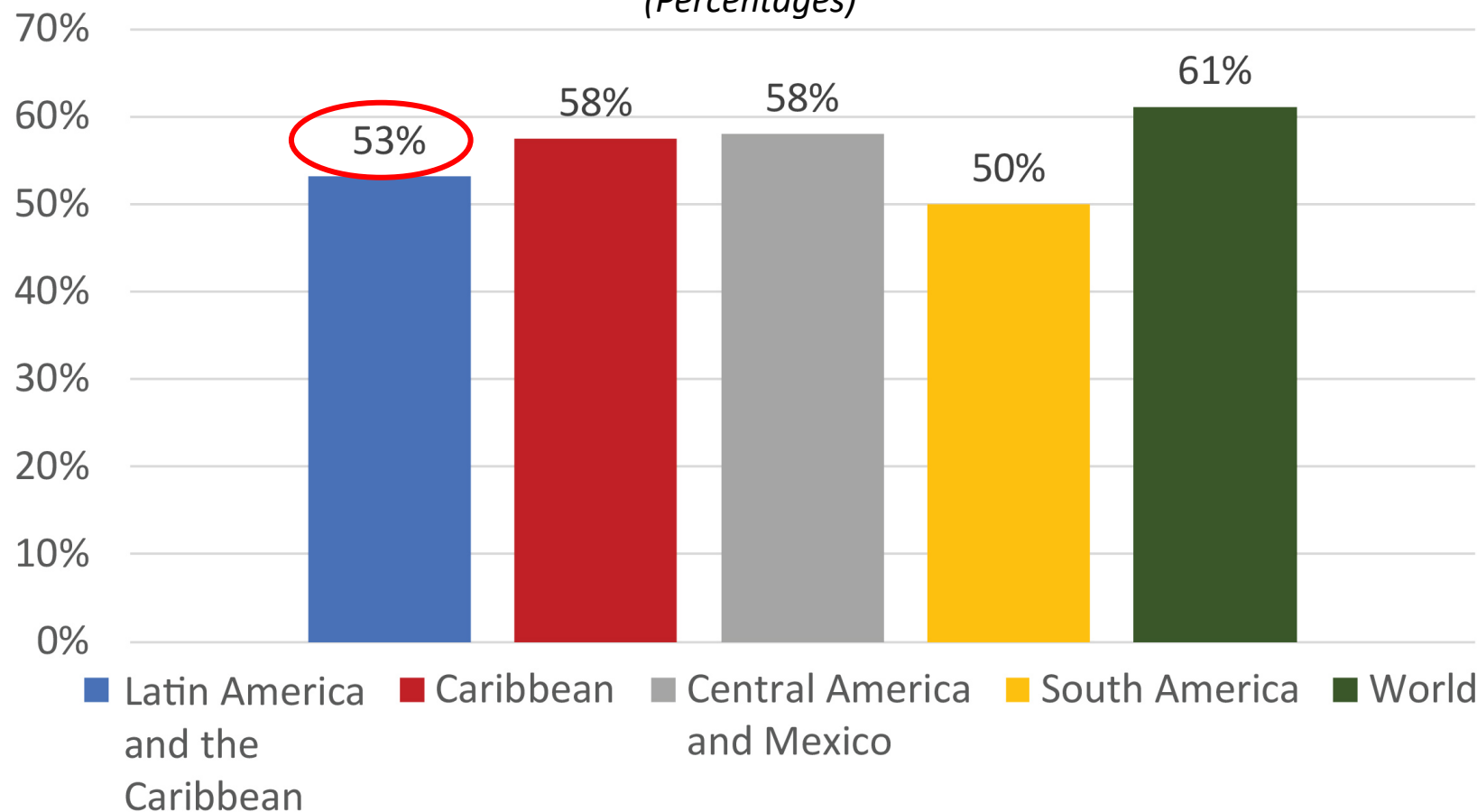
- The percentages of the strata of the economically active population that are not affiliated or contributing:
 - 76.2% in the low-income strata
 - 52.5% in the lower-middle strata
 - 39.9% in the intermediate-middle strata
 - 30.2% in the upper-middle strata
 - 58.4% of the total

Source: ECLAC, Household Survey Data Bank (BADEHOG).

^a The indicator of access refers to affiliation with pension systems in the Dominican Republic, Ecuador, Panama and the Plurinational State of Bolivia. Includes the unemployed.

More than half the economically active population has no labour or health protection, or pensions

World and Latin America and the Caribbean: informal employment
(Percentages)



- Paid work that is not registered, regulated or protected by legal or regulatory frameworks

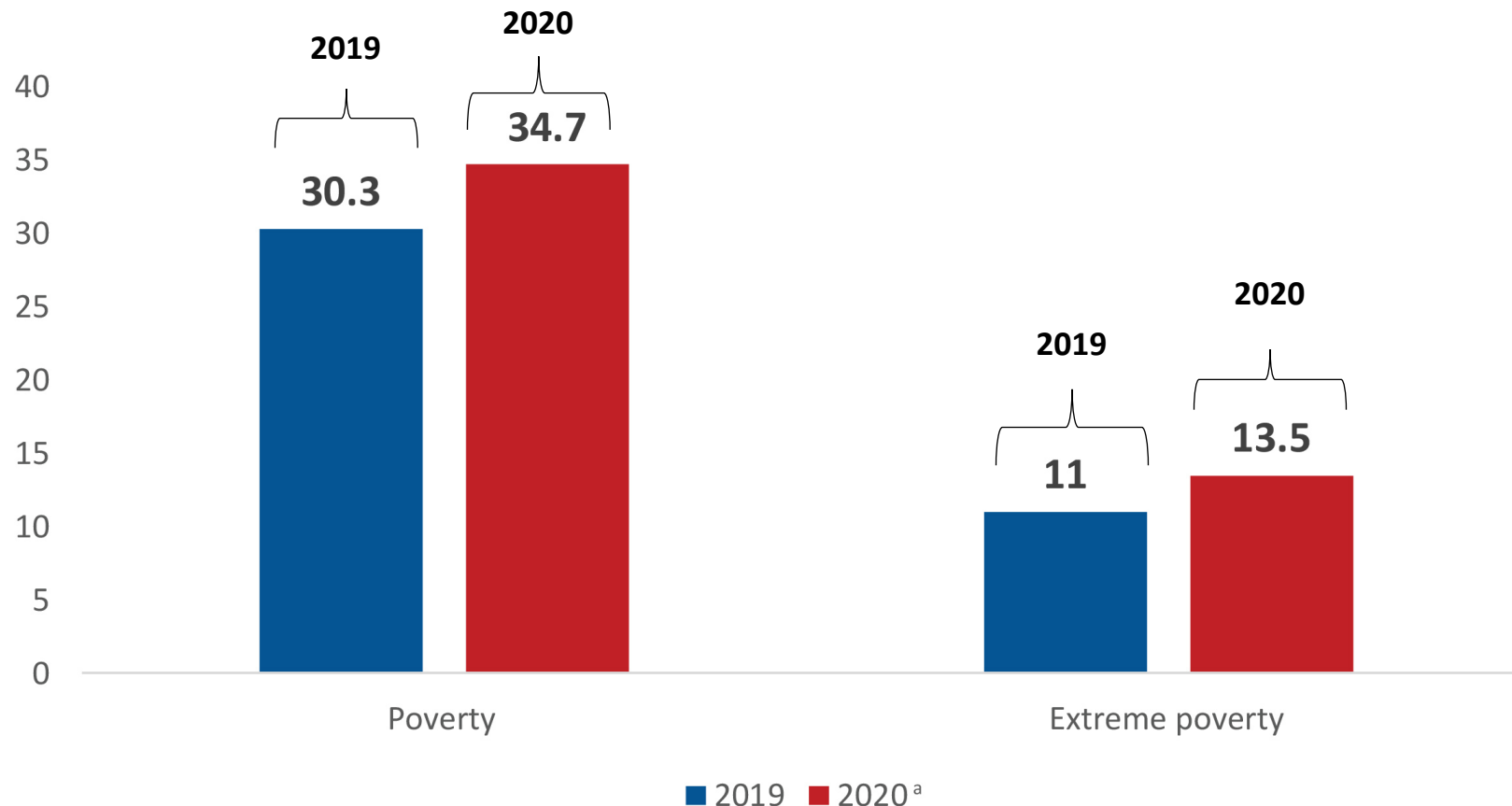
Source: International Labour Organization (ILO), "Políticas de Formalización en América Latina: Avances y Desafíos", 2018.

Increases in poverty, extreme poverty and inequality



Poverty in the region is expected to rise to 34.7% in 2020 if announced measures are not implemented

LATIN AMERICA (17 COUNTRIES): PROJECTIONS OF PEOPLE LIVING IN POVERTY IN 2020
(PERCENTAGES)



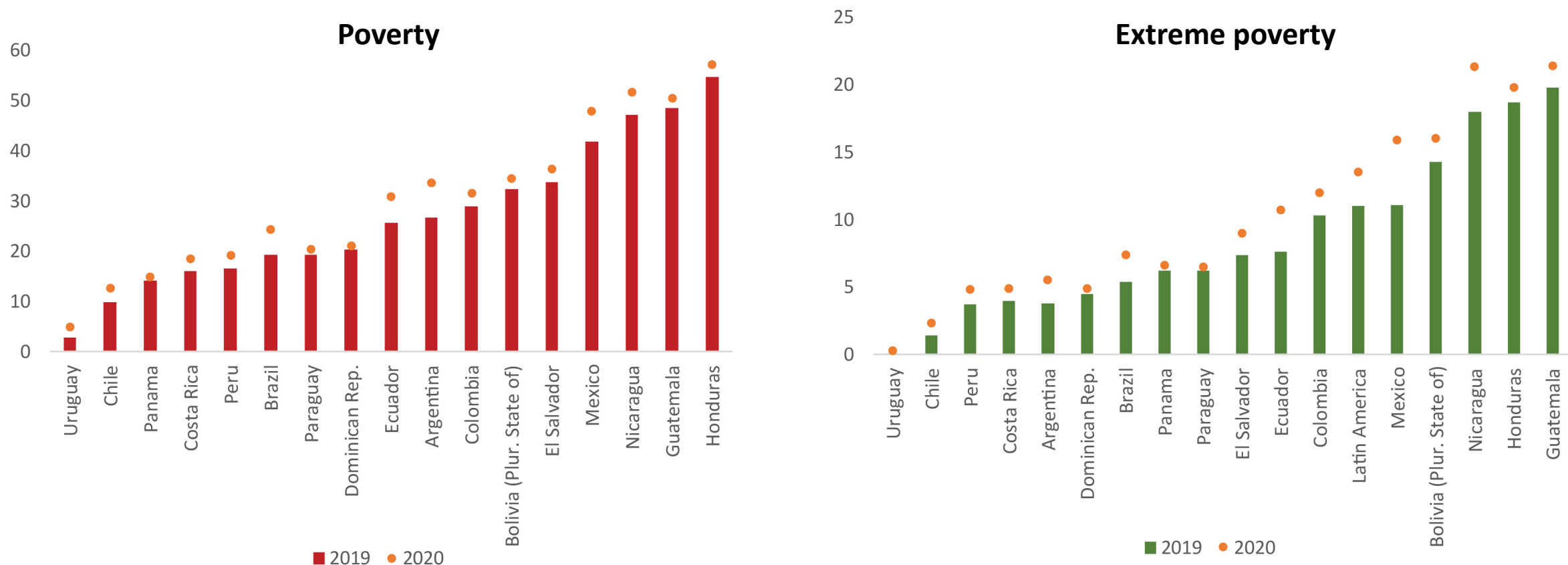
- The number of people living in poverty is expected to increase from 186 million to 214 million.
- The number of people living in extreme poverty is expected to rise from 67 million to 83 million.

Source: ECLAC, on the basis of Household Survey Data Bank (BADEHOG).

^a Projections.

Projections of poverty and extreme poverty in 2020 excluding the effect of measures announced to mitigate the impact of COVID-19

LATIN AMERICA (17 COUNTRIES): PROJECTIONS OF POPULATION LIVING IN POVERTY AND EXTREME POVERTY IN 2020, EXCLUDING THE EFFECT OF MEASURES ANNOUNCED TO MITIGATE THE IMPACT OF COVID-19
(Percentages)



Source: ECLAC, on the basis of Household Survey Data Bank (BADEHOG).

Note: Data for Argentina refer to urban areas.

Projections of poverty in 2020 excluding the impact of measures announced to mitigate the impact of COVID-19

LATIN AMERICA (17 COUNTRIES): PROJECTIONS OF POPULATION LIVING IN POVERTY IN 2020
(Percentages)

Country	Poverty		
	2019 ^a	2020 ^b	Increase in percentage points
Argentina	26.7	33.6	6.9
Bolivia (Plurinational State of)	32.3	34.4	2.1
Brazil	19.4	24.3	4.9
Chile	9.8	12.7	2.9
Colombia	29.0	31.5	2.5
Costa Rica	16.0	18.4	2.4
Ecuador	25.7	30.8	5.1
El Salvador	33.7	36.4	2.7
Guatemala	48.6	50.5	1.9
Honduras	54.8	57.1	2.3
Mexico	41.9	47.8	5.9
Nicaragua	47.1	51.6	4.5
Panama	14.2	14.9	0.7
Paraguay	19.4	20.3	0.9
Peru	16.5	19.1	2.6
Dominican Republic	20.3	21.1	0.8
Uruguay	2.9	4.8	1.9
Latin America ^c	30.3	34.7	4.4

- **28.7 million more people** than in 2019.
- **Total: 214.7 million people (34.7% of the population).**

Source: ECLAC, on the basis of Household Survey Data Bank (BADEHOG), ^a Projections. ^b Preliminary projections based on the estimated impact on employment and labour income for different productive sectors. ^c Refers to the 17 countries included in the table plus the Bolivarian Republic of Venezuela. Data for Argentina refer to urban areas..

Projections of extreme poverty in 2020 excluding the impact of measures announced to mitigate the impact of COVID-19

LATIN AMERICA (17 COUNTRIES): PROJECTIONS OF POPULATION LIVING IN EXTREME POVERTY IN 2020
(Percentages)

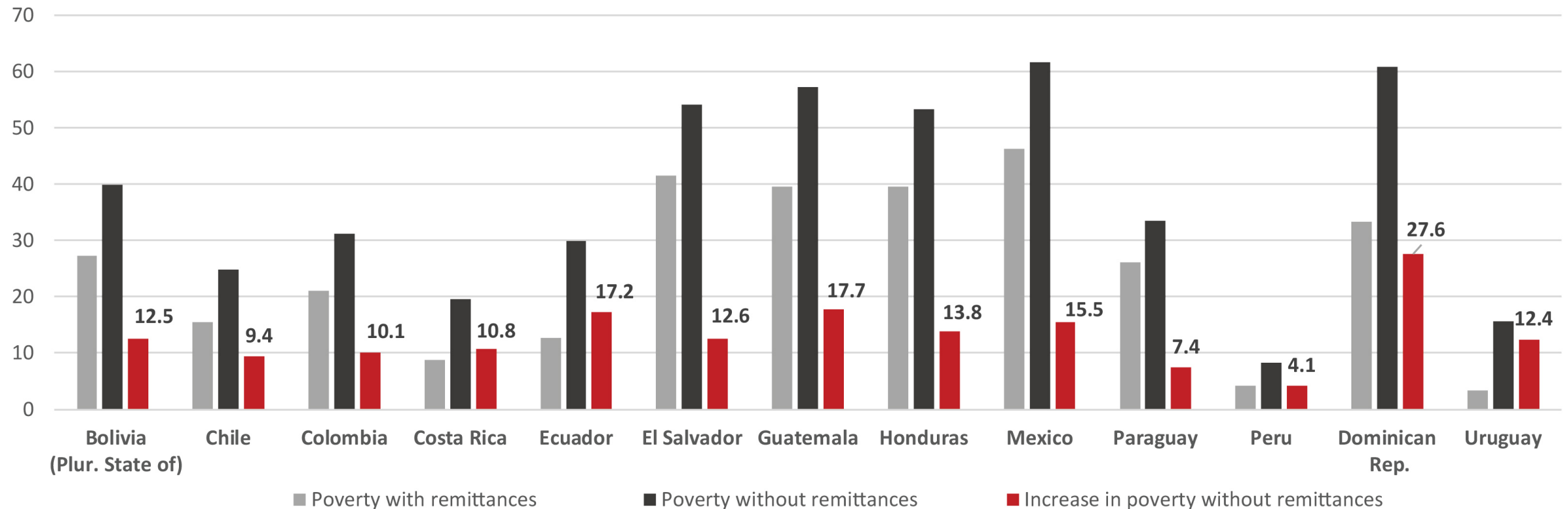
Country	Extreme poverty		
	2019 ^a	2020 ^b	Increase in percentage points
Argentina	3.8	5.5	1.7
Bolivia (Plurinational State of)	14.3	16.0	1.7
Brazil	5.4	7.4	2
Chile	1.4	2.3	0.9
Colombia	10.3	12.0	1.7
Costa Rica	4.0	4.9	0.9
Ecuador	7.6	10.7	3.1
El Salvador	7.4	9.0	1.6
Guatemala	19.8	21.4	1.6
Honduras	18.7	19.8	1.1
Mexico	11.1	15.9	4.8
Nicaragua	18.0	21.3	3.3
Panama	6.2	6.6	0.4
Paraguay	6.2	6.5	0.3
Peru	3.7	4.8	1.1
Dominican Republic	4.5	4.9	0.4
Uruguay	0.1	0.3	0.2
Latin America ^c	11.0	13.5	2.5

- **15.9 million more people** than in 2019.
- **Total: 83.4 million people (13.5% of the population).**

Source: ECLAC, on the basis of Household Survey Data Bank (BADEHOG), ^a Projections. ^b Preliminary projections based on the estimated impact on employment and labour income for different productive sectors. ^c Refers to the 17 countries included in the table plus the Bolivarian Republic of Venezuela. Data for Argentina refer to urban areas.

A fall in remittances from migrants in 2020 will increase poverty in their countries of origin

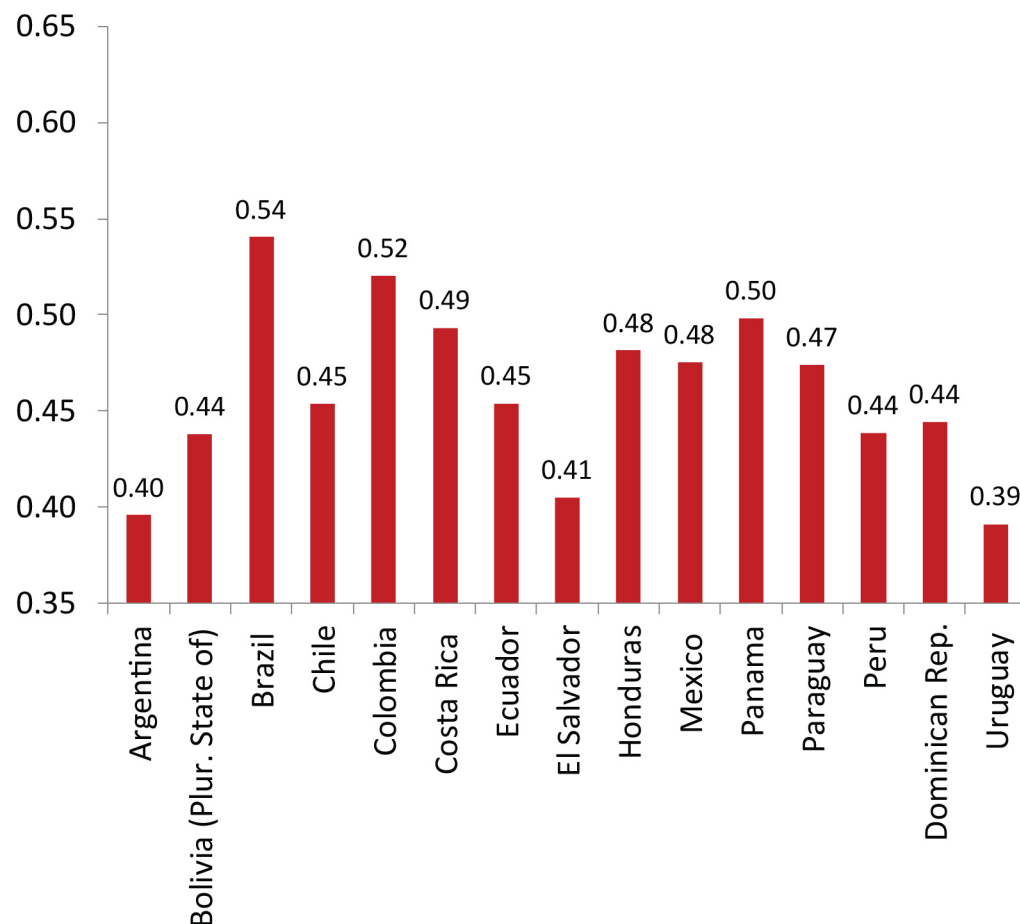
LATIN AMERICA (13 COUNTRIES): POVERTY RATE WITH AND WITHOUT REMITTANCES,
FOR HOUSEHOLDS RECEIVING REMITTANCES, NATIONAL TOTALS, AROUND 2017
(Percentages)



Source: ECLAC, *Social Panorama of Latin America*, 2019.

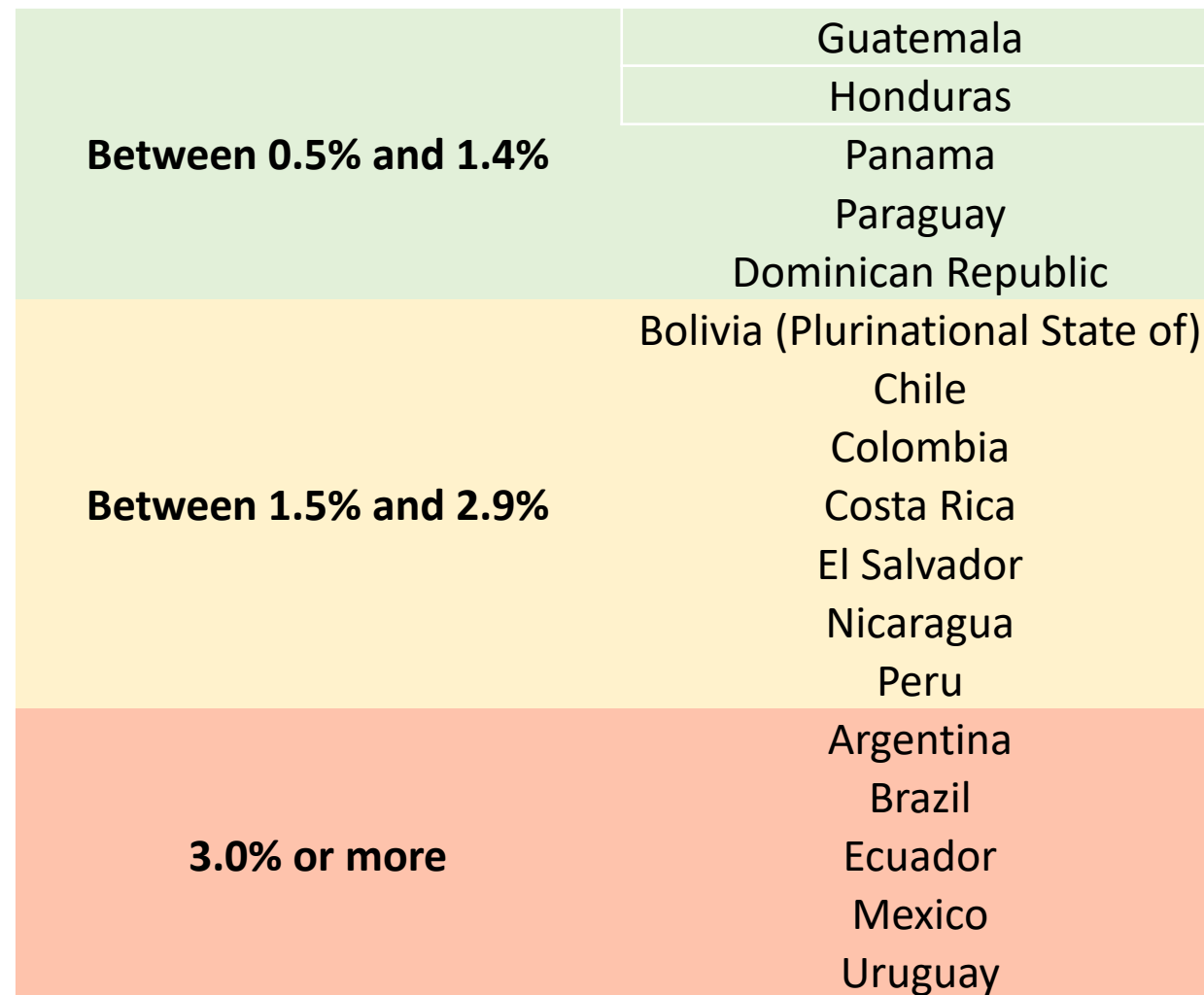
Increase in inequality

LATIN AMERICA (15 COUNTRIES): GINI INDEX IN 2018



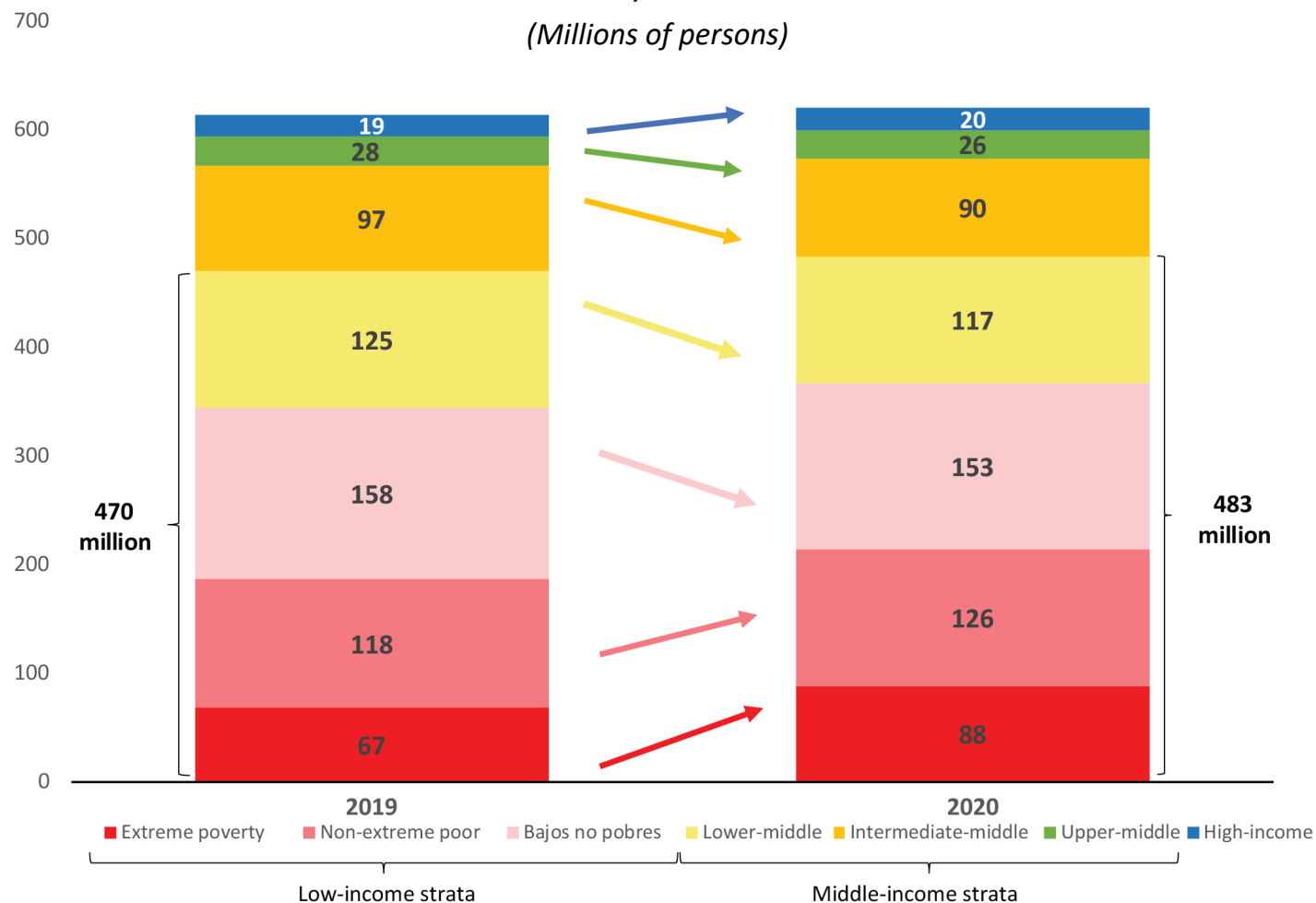
Source: ECLAC on the basis of Household Survey Data Bank (BADEHOG).
Estimates based on Gini index in 2018.

LATIN AMERICA (17 COUNTRIES): PROJECTED CHANGE IN GINI COEFFICIENT IN 2020



Large sections of the region's population are living in chronic economic insecurity and are highly vulnerable to the loss of labour income

LATIN AMERICA (18 COUNTRIES): POPULATION SIZE AND TRENDS BY PER CAPITA INCOME STRATA, 2019 AND 2020



- **23.8 million people in the low-income non-poor strata (between 1 and 1.8 poverty lines per capita) are expected to fall into poverty (15%).**
- **Sharp deterioration in the middle strata.**
- **16.7 million people in the lower-middle strata will move into low-income strata (15%).**

Source: ECLAC, on the basis of the Household Survey Data Bank (BADEHOG).

Effects on health and socioeconomic conditions differ depending on population group and response capacity

- The impossibility of working from home, overcrowded conditions and lack of access to water and sanitation **increase the risk of infection of the poor and vulnerable.**
- There is a greater **risk of death among the poor and vulnerable** because of lung disease, cardiovascular disease and diabetes, and lack of access to medical care.
- **Informal workers** (mainly **women, young people, indigenous people, Afrodescendants and migrants**) are unable to generate income and lack savings to face the crisis and avoid falling into poverty.
- The first cases of COVID-19 occurred in groups and urban areas with higher incomes, more resources and better health conditions.
- **New cases** are being recorded **in low-income areas**, which are more economically vulnerable and have less access to health services.
- **Quarantines have more adverse domestic, social and economic consequences for the poor:** more difficult to implement.

Different socioeconomic effects reflect the social inequality matrix

POPULATIONS MOST AFFECTED BY THE SOCIOECONOMIC IMPACTS OF COVID-19

Population	Area affected by the pandemic
<ul style="list-style-type: none">• Women• Low- and lower-middle income strata• Informal workers• Female paid domestic workers• Children and adolescents• Young people• Older persons• Rural population• Indigenous peoples• Afrodescendants• Persons with disabilities• Migrants• Homeless persons	<ul style="list-style-type: none">• Physical and mental health• Nutrition• Education• Labour income• Child labour• Access to basic services (water, sanitation, electricity, gas, digital technologies)• Unpaid care work• Intrafamily violence

- **Inequalities** accumulate, strengthen and interact, causing forms of discrimination that lead to differences in the exercise of rights.
- In a context of confinement, **unpaid domestic work and violence against women, girls, and adolescent girls increases.**
- Poorer children and adolescents: **increase in child labour.**

Social protection measures



Five types of measures to address income loss especially among the most vulnerable

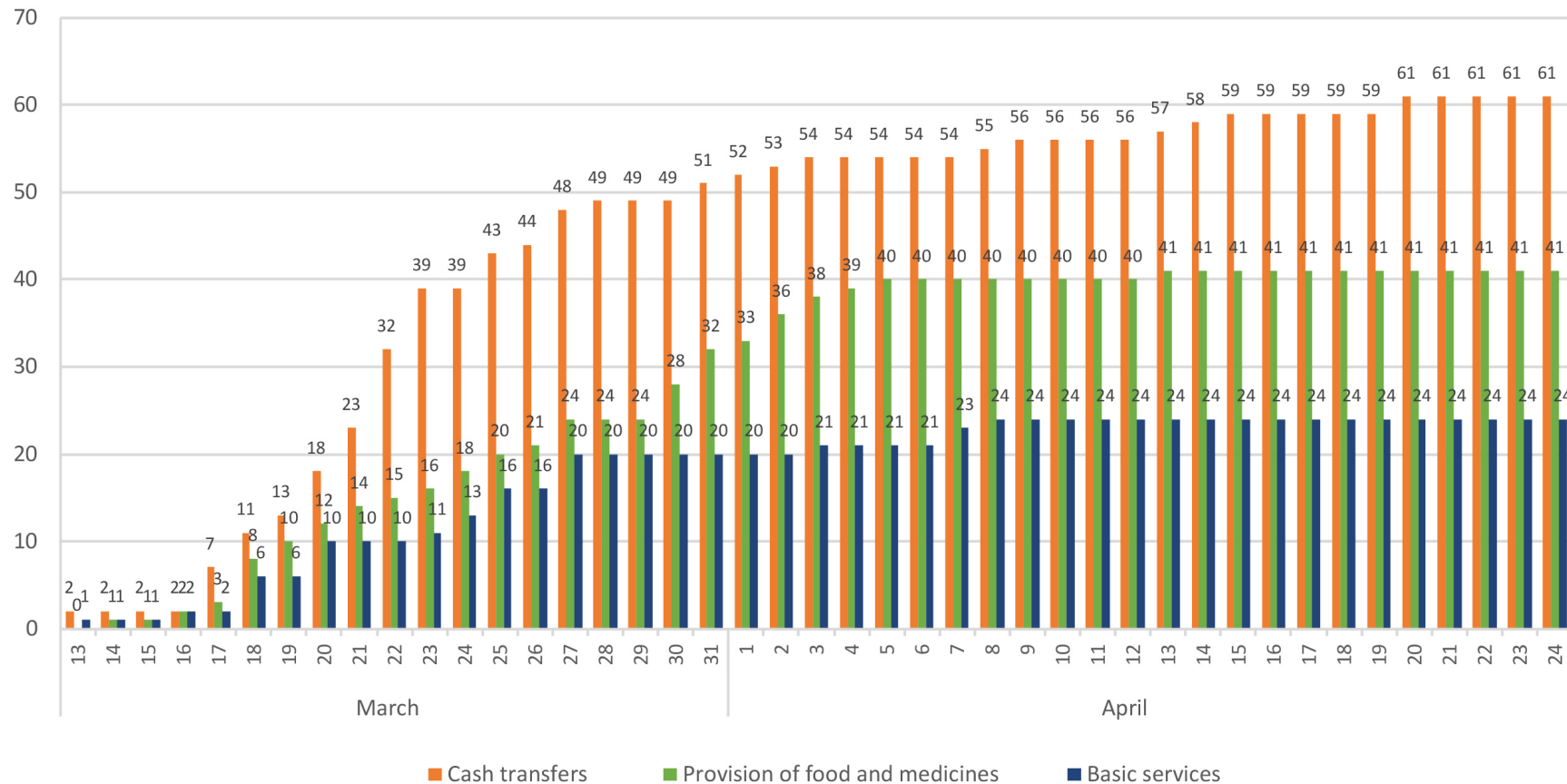
LATIN AMERICA AND THE CARIBBEAN: SOCIAL PROTECTION MEASURES ANNOUNCED IN RESPONSE TO THE COVID-19 PANDEMIC

Cash transfers	In-kind transfers	Provision of basic services	Social protection for formal workers	Other direct support to individuals or families
<ul style="list-style-type: none">• New programmes• Expansion of existing programmes:<ul style="list-style-type: none">• Early disbursement• Increased amounts• Greater coverage	<ul style="list-style-type: none">• Food• Medicines• Masks• Cleaning products	<p>Suspension or waiver of bill payment for:</p> <ul style="list-style-type: none">• Water• Electricity• Gas• ICT (telephone, Internet, TV)	<ul style="list-style-type: none">• Limiting exposure (teleworking)• Income and employment protection• Unemployment insurance• Leave• Bans on dismissal	<ul style="list-style-type: none">• Tax relief• Loan and mortgage payment facilities• Price control

Source: Economic Commission for Latin America and the Caribbean (ECLAC),

126 social protection measures in 29 countries targeting populations living in poverty and vulnerability

LATIN AMERICA AND THE CARIBBEAN (29 COUNTRIES): SOCIAL PROTECTION MEASURES FOR THE POPULATION LIVING IN POVERTY AND VULNERABILITY ANNOUNCED IN RESPONSE TO THE COVID-19 PANDEMIC, 13 MARCH–24 APRIL 2020



- Cash transfers and provision of food to **90.5 million households**
- Approximately **58%** of the population

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

Measures to ensure income, food security and access to basic services

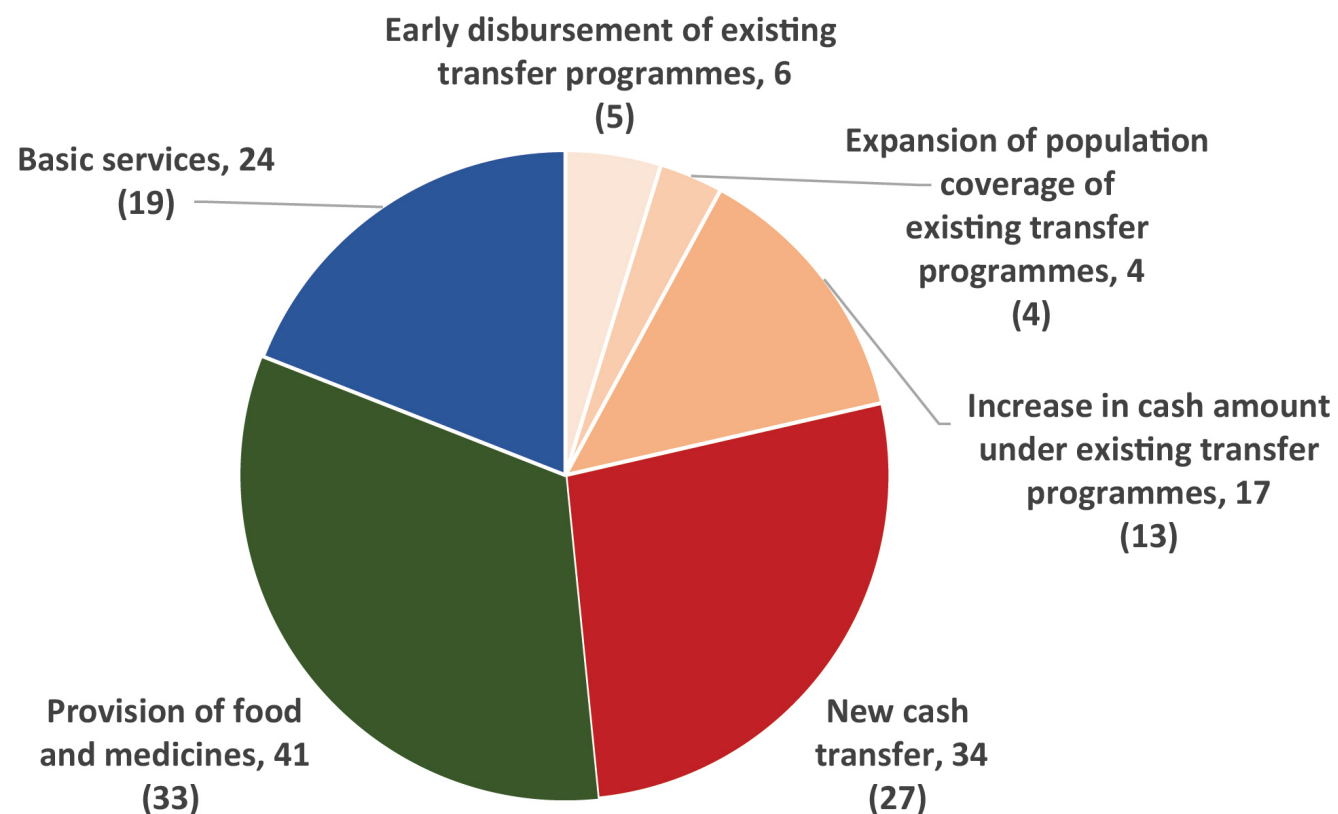
LATIN AMERICA AND THE CARIBBEAN (29 COUNTRIES): COUNTRIES THAT HAVE ANNOUNCED SOCIAL PROTECTION MEASURES FOR THE POPULATION LIVING IN POVERTY AND VULNERABILITY IN RESPONSE TO THE COVID-19 PANDEMIC, BY TYPE OF MEASURE, AT 24 APRIL 2020

	ATG	ARG	BHS	BRB	BLZ	BOL	BRA	CHL	COL	CRI	CUB	ECU	SLV	GRD	GTM	GUY	HTI	HND	JAM	MEX	PAN	PRY	PER	DOM	VCT	LCA	TTO	URY	VEN
Cash transfers																													
1. Early disbursement of existing transfer programmes																													
2. Expansion of population coverage of existing transfer programmes																													
3. Increase in cash amount under existing transfer programmes																													
4. New cash transfer																													
Provision of food and medicines																													
Basic services																													

Source: ECLAC

Emergency cash transfers and provision of food

LATIN AMERICA AND THE CARIBBEAN (29 COUNTRIES): SOCIAL PROTECTION MEASURES FOR THE POPULATION LIVING IN POVERTY AND VULNERABILITY ANNOUNCED IN RESPONSE TO THE COVID-19 PANDEMIC, BY TYPE OF MEASURE, AT 24 APRIL 2020
(Number of measures and percentages)

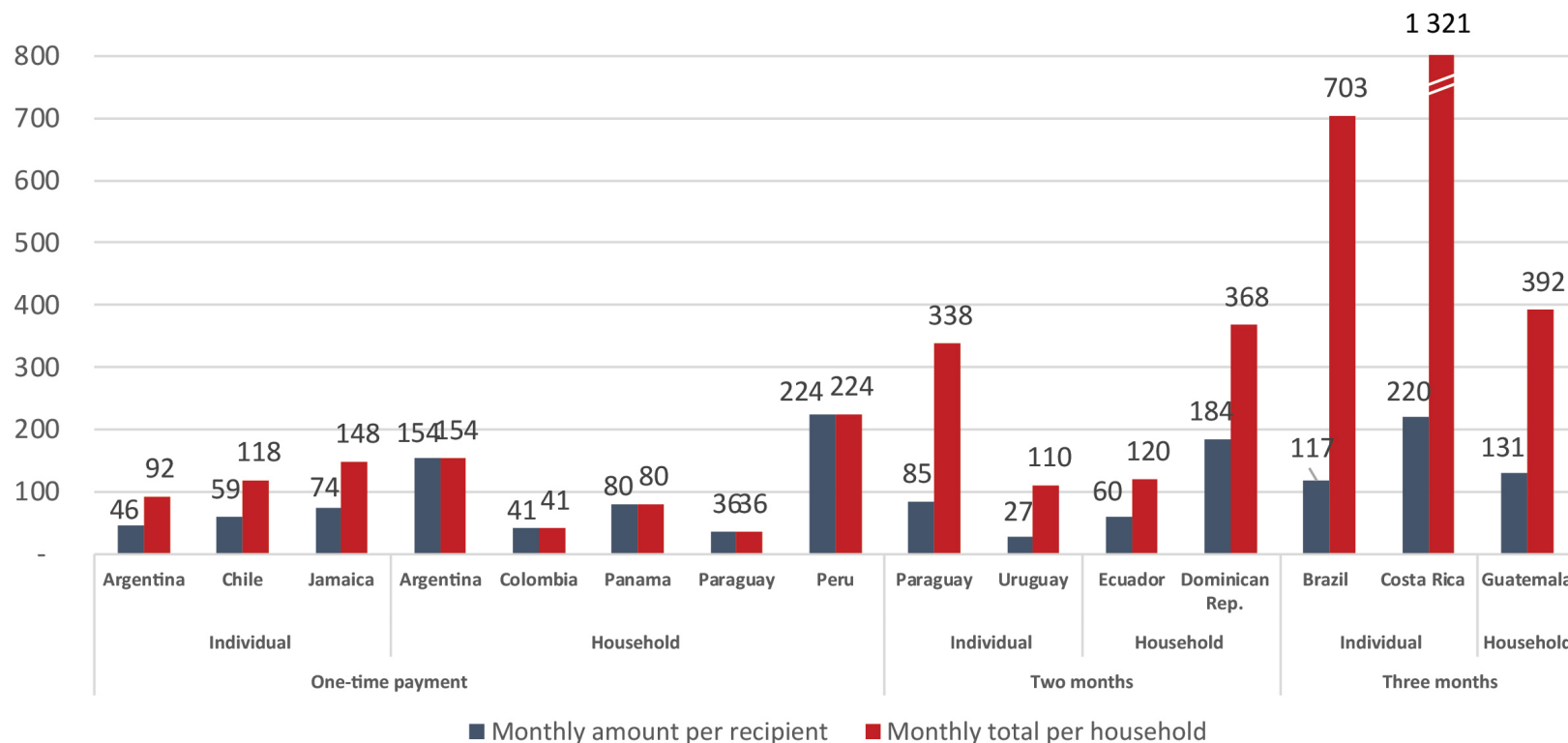


- Additional spending on cash transfers and food: **US\$ 36.83 billion** (0.7% of regional GDP)
- Twice the expenditure on conditional cash transfers (0.35% of GDP)

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

14 countries set up cash transfers to compensate for dwindling incomes of informal workers

LATIN AMERICA AND THE CARIBBEAN (13 COUNTRIES): AMOUNT OF CASH TRANSFERS FOR INFORMAL WORKERS, BY RECIPIENT (PERSON OR FAMILY) AND DURATION, AT 11 APRIL 2020
(Dollars)

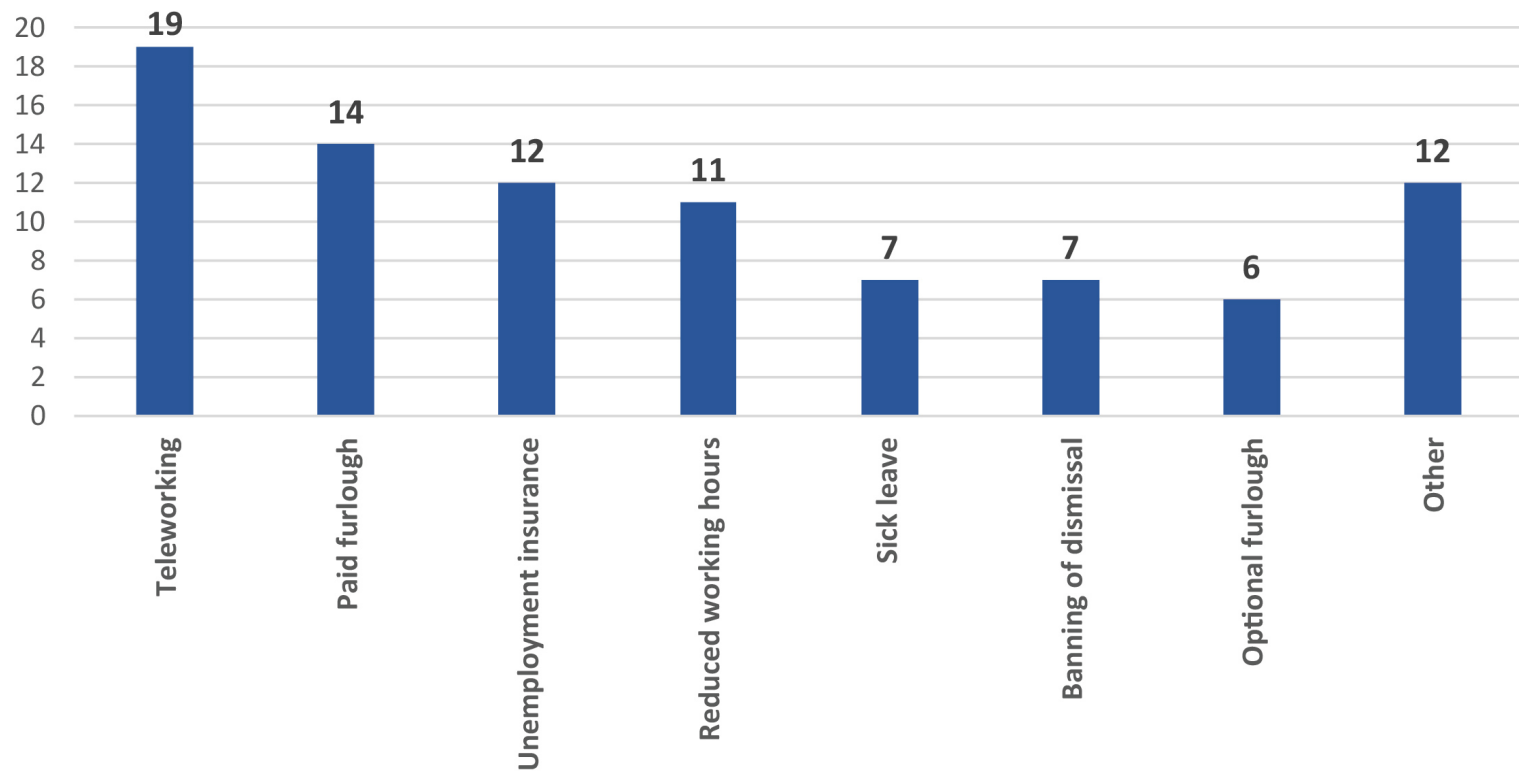


- **Argentina:** Emergency Family Income: 10,000 Argentine pesos (US\$ 154) for independent or informal workers aged 18 to 65. To be extended for another month.
- **Brazil:** emergency grant: 600 reais (US\$ 117) for independent or informal workers with a monthly per capita income of less than half the minimum wage and a household income of less than three times the minimum wage

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

Social protection measures to reduce exposure and to protect income and formal employment

LATIN AMERICA AND THE CARIBBEAN (25 COUNTRIES):
COUNTRIES THAT HAVE ADOPTED SOCIAL PROTECTION MEASURES
FOR FORMAL WORKERS, AS OF 11 APRIL 2020
(Number of countries)



- **Teleworking and safety at the workplace** (masks and physical distancing)
- **Income protection:**
 - Guaranteed payment of wages during absence from work
 - Paid sick leave
 - Activation of unemployment insurance
 - Bans on dismissal
 - Optional leaves of absence

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

Pension-related measures

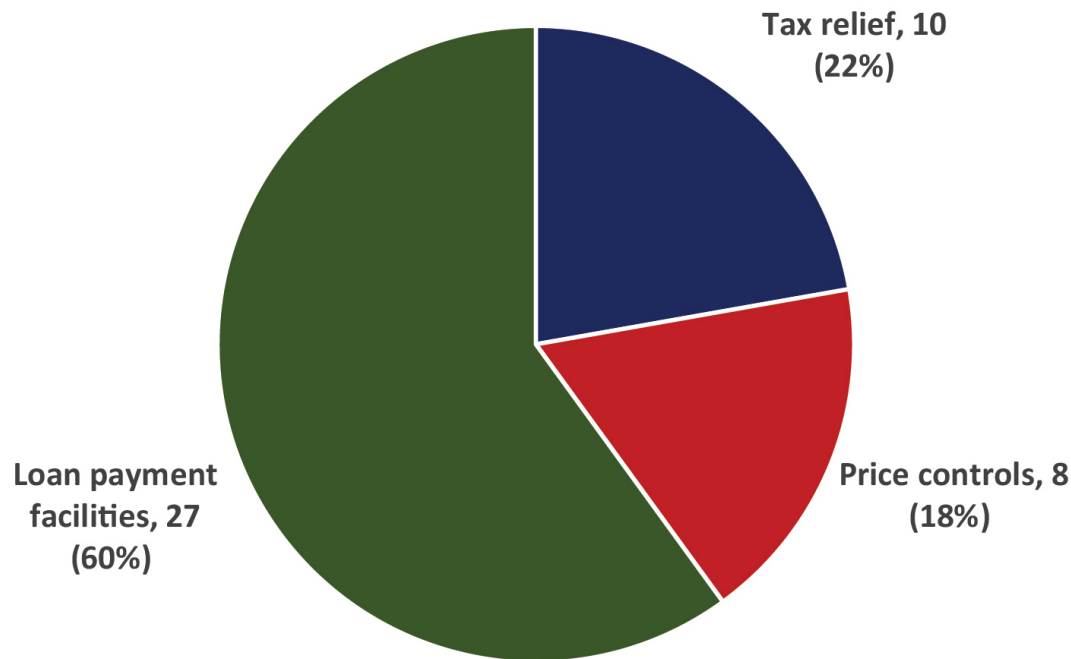
1. Exceptional bonuses to retirees who receive the lowest pensions (Argentina)
2. Advance pension payments (Bahamas, Belize, Brazil)
3. Withdrawal of funds from individual capitalization accounts by independent workers (Peru)
4. Suspension of employer contributions (Argentina, Colombia)

Pension systems will be affected

- Affiliation and contributions will shrink amid rising unemployment and informality
- Lower income from contributions and density of contributions at retirement

Other direct support to individuals and families: credit payment facilities, tax relief and price controls

LATIN AMERICA AND THE CARIBBEAN (22 COUNTRIES): OTHER MEASURES OF DIRECT SUPPORT TO INDIVIDUALS AND FAMILIES ANNOUNCED TO TACKLE THE EFFECTS OF THE COVID-19 PANDEMIC, BY TYPE OF MEASURE, AS OF 24 APRIL 2020
(Percentage distribution)



- **Credit payment facilities:** deferred payment of instalments, loan rescheduling and refinancing, exemption from payment or suspension of interest on arrears and penalties for the duration of the emergency
- **Tax relief:** exemption from tax payment fines, suspension of collection and of auctions relating to non-payment, and facilities for payment of taxes
- **Price controls:** price caps for food and medicines

Source: ECLAC

Basic income, social protection and the welfare State



Governments must guarantee temporary cash transfers to meet basic needs and support household consumption

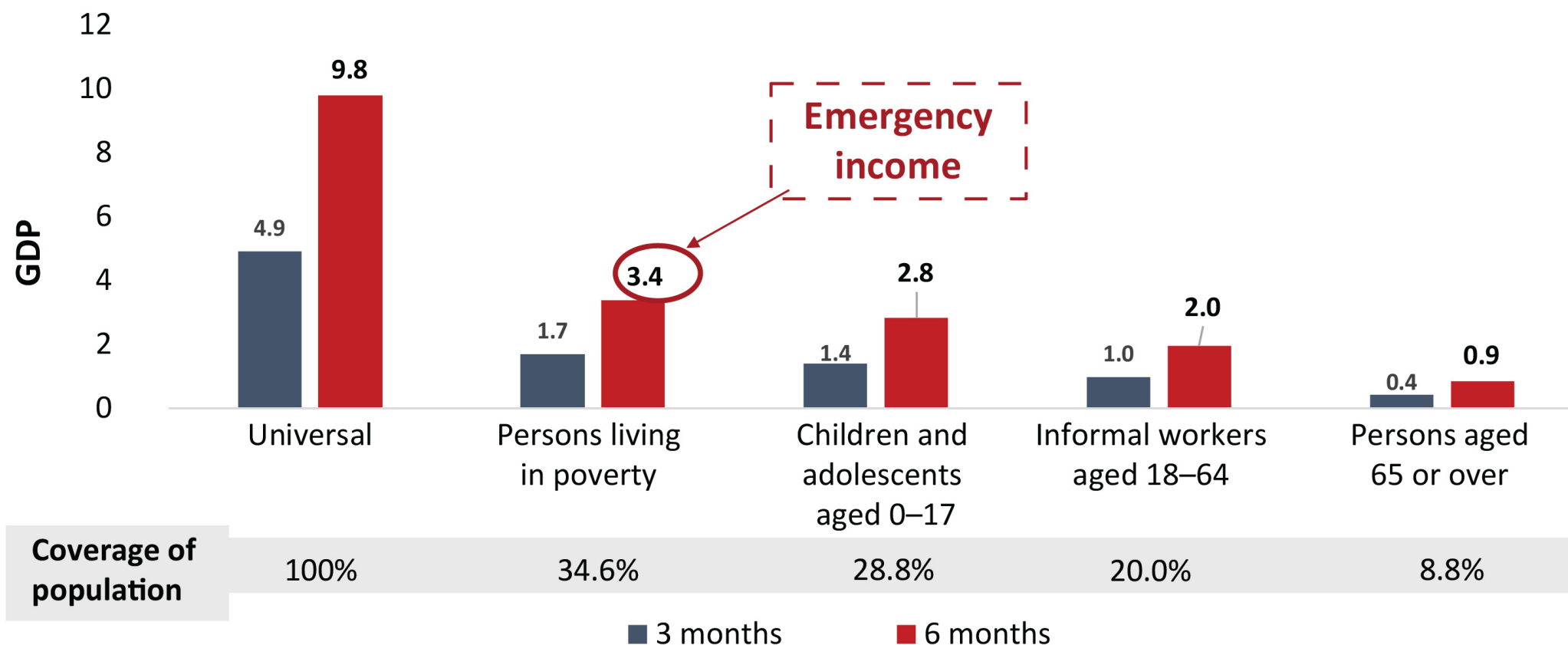
- Five population groups:



- **Monthly per capita amount of transfers**
 - **One extreme poverty line** (US\$ 67 in 2010 dollars), equivalent to the cost of purchasing a basic food basket
 - **One poverty line** (US\$ 143 in 2010 dollars), which covers other basic needs
 - **The cost of managing the transfers is not included**
- **Duration: 3, 6 or 12 months**

The cost of cash transfers varies according to the target population, the amount transferred and the duration

LATIN AMERICA (18 COUNTRIES): ESTIMATED COST OF CASH TRANSFERS EQUIVALENT TO ONE POVERTY LINE AND ONE EXTREME POVERTY LINE TO ADDRESS THE IMPACT OF THE COVID-19 PANDEMIC, BY TARGET POPULATION, DURATION AND TOTAL POPULATION COVERAGE ^{a b}
(Percentages of GDP and of total population)



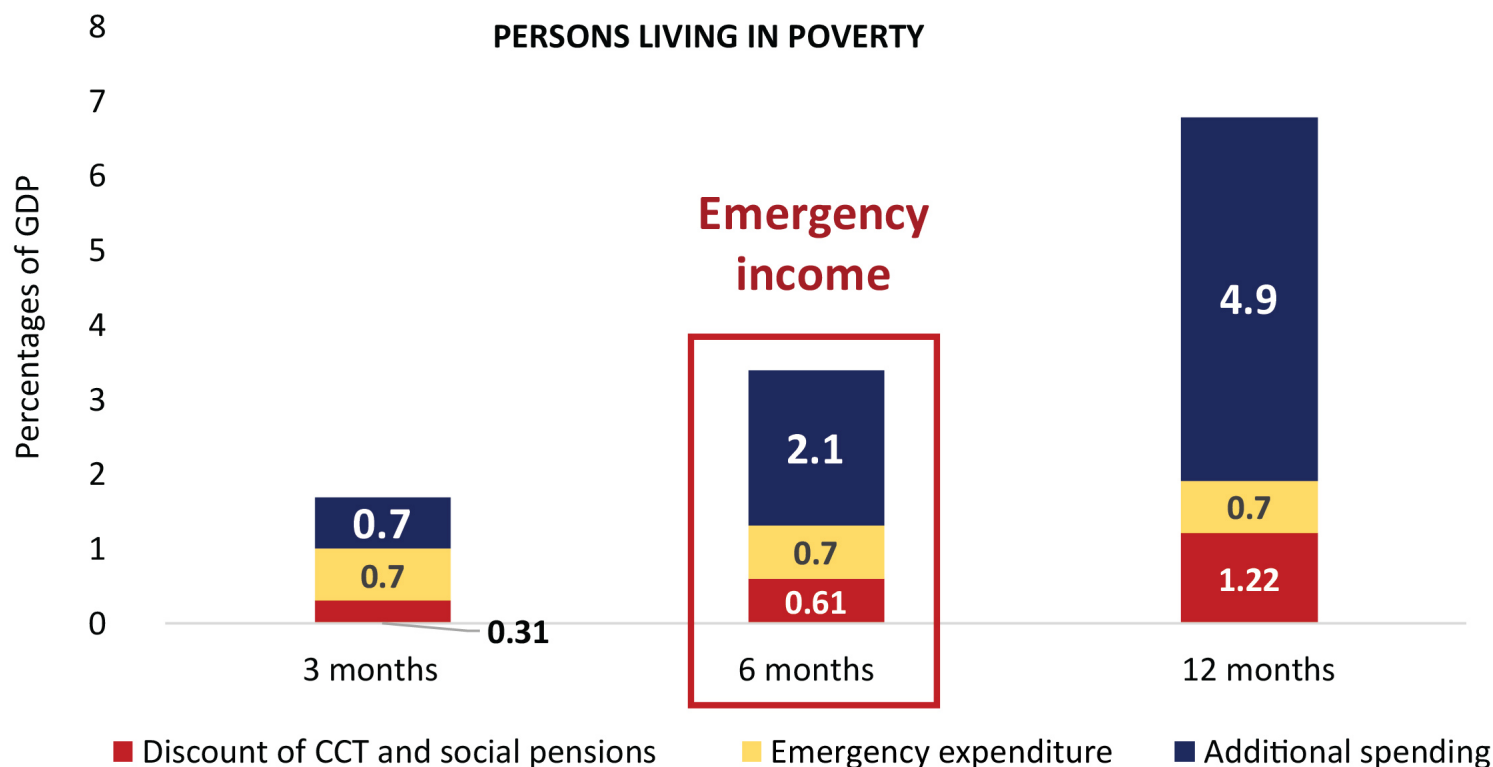
Source: Economic Commission for Latin America and the Caribbean (ECLAC).

^a Estimate based on a 5.3% drop in GDP in 2020 and considering a population living in poverty of 214.7 million in the same year. The administrative costs required to make the transfers have not been taken into account.

^b The category “informal workers” comprises workers in low-productivity sectors, including: domestic service, unskilled own-account workers, unskilled workers in microenterprises and microentrepreneurs.

ECLAC proposes transfers for an amount equal to one poverty line for six months

LATIN AMERICA (18 COUNTRIES): ESTIMATED ADDITIONAL COST OF CASH TRANSFERS EQUIVALENT TO ONE POVERTY LINE TO ADDRESS THE IMPACT OF THE COVID-19 PANDEMIC, BY DURATION^a
(Percentages of GDP)



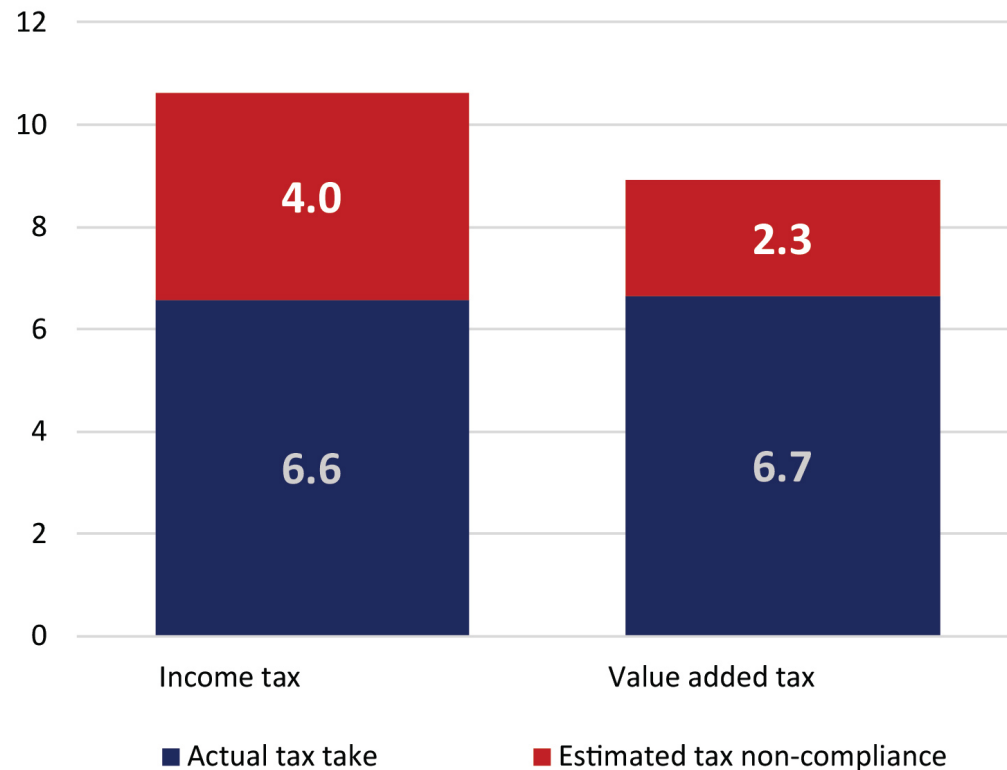
- **Additional expenditure of 2.1% of GDP** to cover all persons who will be living in poverty in 2020
- The additional amount has been calculated taking into account the spending on conditional transfer programmes and social pensions, as well as emergency transfers made

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

^a Estimate based on a 5.3% drop in GDP in 2020 and considering a population living in poverty of 214.7 million in the same year. The administrative costs required to make the transfers have not been taken into account.

An urgent focus for short- and medium-term policy: reducing tax evasion and avoidance

LATIN AMERICA: INCOME TAX AND VALUE ADDED TAX NON-COMPLIANCE, 2017
(Percentages of GDP)



The amount of tax evasion and avoidance (6.3% of regional GDP) is equivalent to:

- Half of social spending by central government
- Three times the spending required for six months' coverage of all persons who will be living in poverty in 2020
- More than average central government spending on education (4%) and health (2.2%)

Source: ECLAC, *Fiscal Panorama of Latin America and the Caribbean 2019*

Structuring social protection in the short, medium and long terms: strengthening the welfare State

- **Short-term social protection measures** to address the emergency.
- **Operational challenges:** level of use of banking services by the population; completing, updating and interconnecting social records.
- **Medium- and long-term measures:** safeguarding rights by strengthening the welfare State and universal social protection, introducing a care system.
- **Gradual implementation** and search for **sustainable innovative funding mechanisms**.
- International instruments aimed at strengthening social protection: the 2030 Agenda; International Labour Organization Social Protection Floors Recommendation, 2012 (No. 202); the Regional Agenda for Inclusive Social Development.

The long-term strategic objective: universal basic income

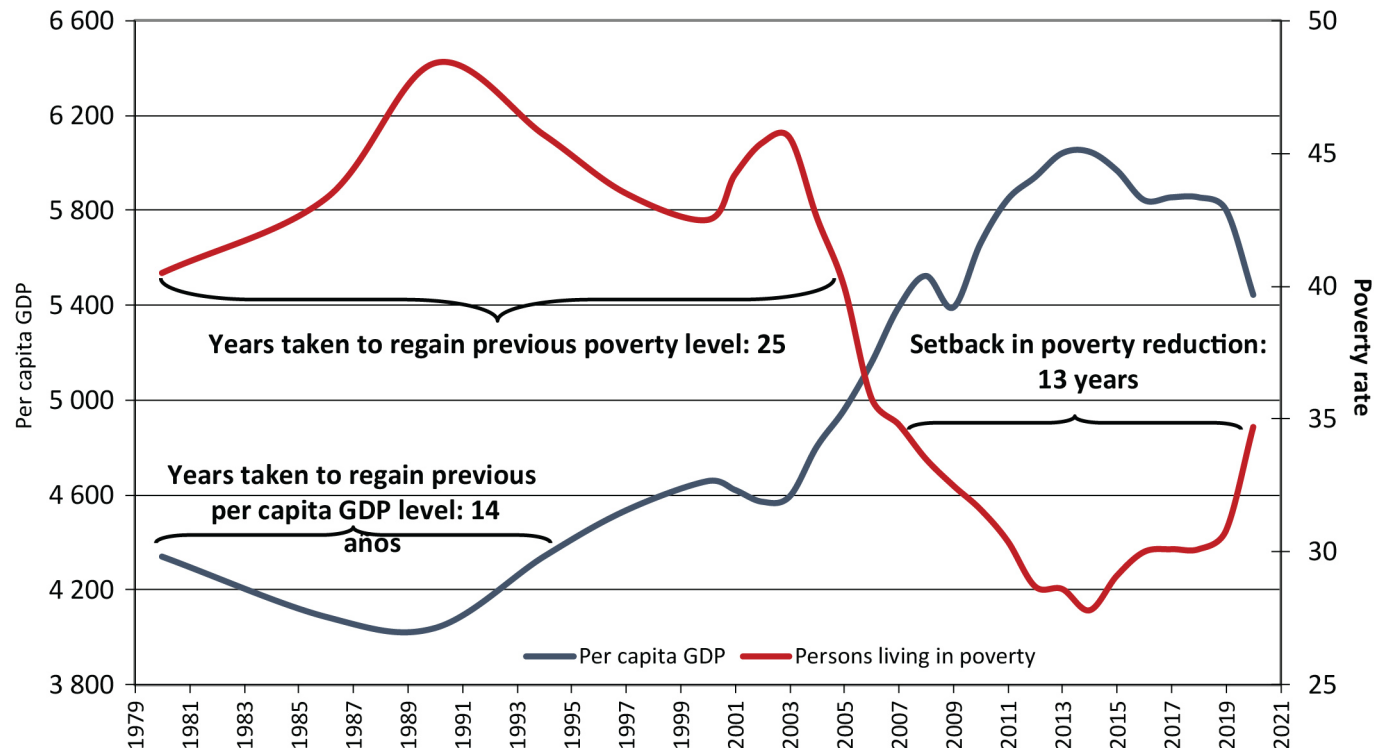
- Inclusion of strata of the population that are at great risk of falling into poverty
- Move gradually towards a universal basic income, within a defined period and in accordance with the circumstances of each country

A proposal for a universal basic income in Mexico

- Transfer of one minimum welfare line, equivalent to the cost of a food basket in urban areas (around US\$ 73 per month in March 2020): spending equivalent to 10.3% of estimated GDP for 2020
- Transfer equivalent to a food and non-food basket (around US\$ 144 per month): 20.2% of GDP
- Transfer of a minimum wage (around US\$ 167): 23.5% OF GDP,
- Gradual, long-term implementation

Building the welfare State and universal social protection systems in order to avoid another lost decade

LATIN AMERICA AND THE CARIBBEAN (18 COUNTRIES):
PER CAPITA GDP AND POVERTY LEVELS, 1980–2020^A



- The **debt crisis of the 1980s** led to significant increases in poverty levels.
- It took **25 years** for the **region** to return to pre-crisis levels of poverty.
- **The increase in poverty projected for 2020** signifies a **13-year setback**.

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

^a Figures for 2019 are preliminary. Figures for 2020 are projections.

A fiscal compact to underpin the welfare State

A stable fiscal space that is not carved out from social protection spending

Opportunities to boost income

- Reduce tax evasion
- Improve the progressiveness of the tax structure by strengthening direct personal income taxes, especially for the richest 1%
- Reassess tax incentives (3.7% of regional GDP) to support productive and social investment
- Develop a new generation of taxes on the digital economy, environmentally harmful activities, tobacco and other factors related to public health

Measures to increase and improve the quality of public spending

- Safeguard dual inclusion (labour and social) through social spending
- Redirect public investment to boost productivity and environmental sustainability
- Change the relationship between the State, the market and society to generate more inclusive public goods and infrastructure

The pandemic has exposed structural problems of the economic model and the shortcomings of social protection systems and welfare regimes

- Rethink the development model and **consolidate the economic, social and environmental dimensions of sustainable development, ensuring that no one is left behind** (2030 Agenda for Sustainable Development)
- Consolidate **universal social protection systems**, including universal health systems, that are sensitive to differences and rooted in a rights-based approach
- Develop **labour inclusion strategies** in the recovery period
- Resolve the fragmentation, hierarchization and commodification of **health systems**
- Move forward with a **social compact** focused on well-being and rights
- Implement **universal, redistributive and solidarity-based policies**

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