



UNITED NATIONS

ECLAC

Introduction to inequality in adulthood



B. Assessment of inequalities affecting adults



- In 2020, 43% of the population was aged between 30 and 64 years and some countries of the region are currently experiencing a “demographic dividend”.
- Income distribution is highly unequal, with very low labour income in the first quintile. The richest quintile in the region captures around half of disposable income, compared with less than 4% captured by the poorest quintile.
- High levels of informality generate gaps in access to social security, especially in rural areas. According to ILO, the average rate of informality in the region is around 54%.
- With respect to access to social protection, in 2016 only 48.1% of those employed in the region were affiliated or contributing to a pension system. One of the most disadvantaged forms of employment is unskilled own-account work, which represents 64% of the region's employed in quintile I.

1. The “demographic dividend”

In 2000, 34.7% of the population in Latin America and the Caribbean was aged between 30 and 64. Ten years later, this figure had increased to 38.8%, and by 2020 was around 43%. This proportion is projected to continue rising to reach 44.7% by 2030.⁴ This rise, which reflects population dynamics, results in what is known as the “demographic dividend”, where the economically active population —most of it made up of adults capable of generating income— is larger than the rest of the population. This yields a positive scenario, in which dependency represents a smaller burden for the adult population. However, demographic dividends are limited in time and are not a foregone conclusion, as they depend on the ability of the economies of the region to generate productive and decent employment.

This demographic trend will benefit the population in general only if the lighter burden is accompanied by enabling conditions for decent work, so that adults can participate in the labour market in adequate conditions and earn a decent income in order to perform their dual role; however, this is not always the case in the region.

A first restriction is finding work. Not everyone in Latin America and the Caribbean has access to decent work with adequate pay and social security. The labour market is characterized by highly informal conditions, as well as the personal limitations associated with poor preparation and training at earlier stages of the life cycle, as will be seen below.

Unemployment rates have remained in single digits in most of the countries, showing no major variations over the past few years. The average rate for Latin America rose by 1.1 percentage point between 2010 and 2019 (see figure VII.1).

INFORMATION FROM THE WEB

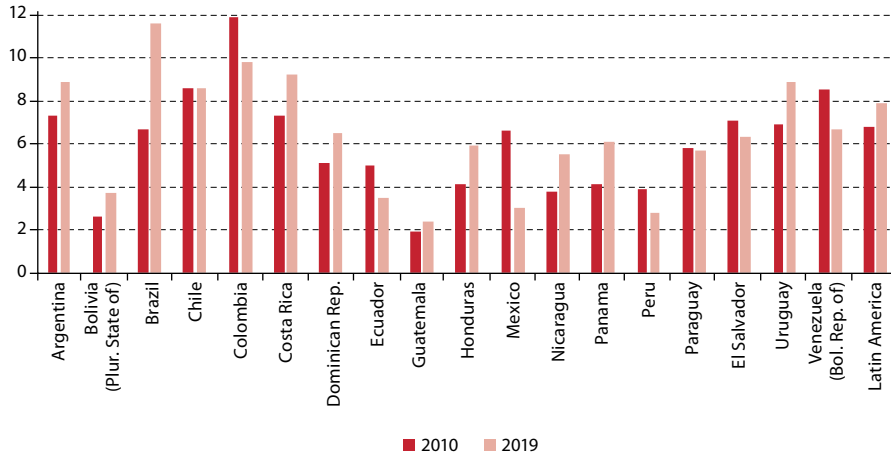


The Economic Commission for Latin America and the Caribbean (ECLAC) estimates that the region's demographic dependency ratio will stop decreasing around 2025, and will begin to rise again by 2040, marking the end of the demographic dividend (ECLAC, 2021a).

<https://www.cepal.org/en/publications/type/observatorio-demografico-america-latina-demographic-observatory-latin-america>.

⁴ According to estimates, this percentage will peak at 45% around 2040 and decline thereafter (see ECLAC, 2021b).

FIGURE VII.1
Latin America (18 countries):^a unemployment rate, 2010 and 2019^b
(Percentages)



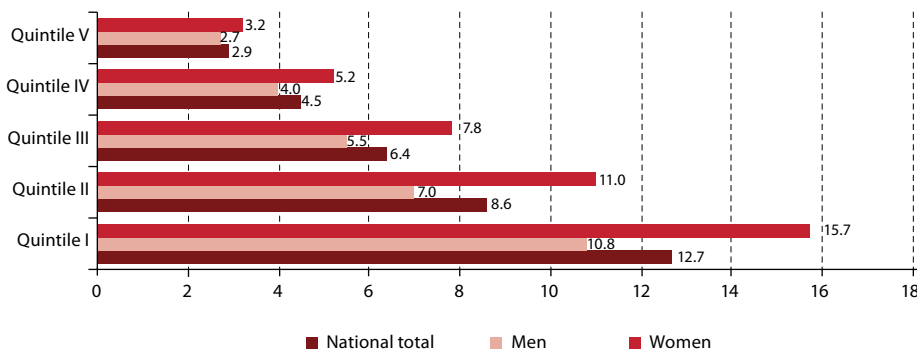
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Household Survey Data Bank (BADEHOC).

^a Weighted average for Argentina (urban areas), Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Honduras, Mexico, Panama, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

^b Bolivarian Republic of Venezuela (2014), Brazil (2011), Chile (2011 and 2017), Colombia (2018), Guatemala (2006 and 2014), Mexico (2018), Nicaragua (2005 and 2014), and Plurinational State of Bolivia (2011 and 2018).

Even with low levels of open unemployment,⁵ the lower income strata show the highest level of unemployment (see figure VII.2), which may partly explain their low income. In particular, women are overrepresented among the unemployed.

FIGURE VII.2
Latin America (18 countries): open unemployment rate by sex and per capita income quintile, 2018^a
(Percentages)



Source: Prepared by the authors, on the basis of Economic Commission for Latin America and the Caribbean (ECLAC), CEPALSTAT [online] <https://estadisticas.cepal.org/cepalstat/portada.html?idioma=english> [accessed in 2020].

^a Simple average.

⁵ Open unemployment is a measurement of people who are in the workforce and have been unemployed for the past seven days, who are available to work immediately and have actively looked for a paid job or independent employment during the past seven days.

Gaps in access to sufficient income in the adult population have consequences for the rest of the population who depend on this age group.

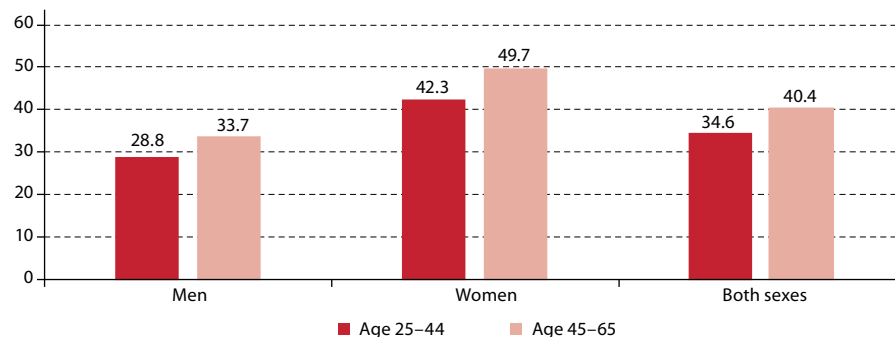
However, having a job does not ensure its stability. In a survey conducted by Latinobarómetro (2018)⁶ of people between 41 and 60 years of age, 23.3% said that they were very worried about becoming unemployed in the next 12 months, while only 14.2% reported no concern on this score. What is more, having a job does not equate to having decent work. The labour market in Latin America is characterized by low income, high levels of informality and persisting unpaid work in the case of women.⁷ These disadvantageous labour conditions accumulate throughout life, given that those working in informal conditions or outside the labour market have little possibility of having their own income in old age, either directly or through contributory pensions.

2. Low income levels

The most direct way of adequately meeting basic needs is to have a secure and sufficient income from work. The levels of income obtained by the adult population are highly unequal in Latin America, owing to poor income distribution whereby a large proportion of people receive very low income, as seen in the chapter on socioeconomic inequality. In the ECLAC data for 2018 (ECLAC, 2021b), the highest-earning 20% of the employed population captured almost half of all disposable income in the region, while the lowest-earning 20% accrued less than 4%.

Close to 40% of the employed adult population receives income below the minimum wage, and among women aged 45–64 this percentage rises to almost 50%, betraying the existence of gender wage gaps (see figure VII.3).

FIGURE VII.3
Latin America (18 countries): employed population with labour income below the national minimum wage, by sex and age group, around 2016 (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Household Survey Data Bank (BADEHOG) and Economic Commission for Latin America and the Caribbean (ECLAC), Social Panorama of Latin America, 2018 (LC/PUB.2019/3-P), Santiago, 2019.

⁶ Samples selected: Argentina, Bolivarian Republic of Venezuela, Brazil, Colombia, Costa Rica, Chile, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

⁷ In the case of Mexico, for example, according to the National Institute of Statistics and Geography (INEGI, n/d), if unpaid work had been included in GDP in 2017, it would have represented 23.3% of GDP. According to ECLAC (2016), the economic value of unpaid work amounted to 18.8% of GDP in Guatemala in 2014, 15.2% in Ecuador in 2012, 20.4% in Colombia in 2012, and 22.9% in the metropolitan area of Uruguay in 2013.

Low wages reflect the precarious work that is available to much of the adult population, a scenario that has shown no sign of changing in recent years. In part, it reflects the limited capacity of collective bargaining and the low rate of unionization in the region, which lack the power to achieve pay levels adequate to cover at least basic needs. The unionization rate⁸ in 2016 averaged around 15% in Latin America and the Caribbean and exceeded 30% only in Argentina and the Plurinational State of Bolivia (ILO, 2020).

In the 2018 Latinobarómetro survey,⁹ 50% of those surveyed between the ages of 41 and 60 said that their family's total income was not enough to adequately cover their needs, and another 38.2% said that it was only just enough. Only 8.5% of the population reported having enough income and even being able to save.

In some cases, the lack of sufficient income forces people to work excessive hours, sometimes in a second job, to obtain labour income above the level of the poverty line. In 2016, around 20% of those employed, on average, worked more than 44 hours per week and received labour income below the relative poverty line.¹⁰ This proportion is much higher in rural than in urban areas (35% and 16%, respectively) and there is also a major gender gap. In 2016 the percentage of the employed who were underemployed with excessive working hours was 26.9% for women and 19.1% for men (ECLAC, 2019).

3. Labour informality

Low income is not the only disadvantageous characteristic for the adult population. The region's labour markets typically exhibit a high level of informality. Taking employment in informal conditions is a survival strategy in countries that lack social security nets, such as unemployment insurance, or where wages and pensions are low. Informal work produces large gaps in access to social protection, especially in quintiles with fewer resources.

Informality is the situation of the majority in the region, with an average informality rate of around 54%, according to estimates by ILO (2020). A complementary approach shows the large proportion of those employed in low-productivity sectors (see figure VII.4).¹¹ Notably, in most of the countries, with the exception of the Dominican Republic, a higher percentage of women than men are employed in low-productivity sectors.



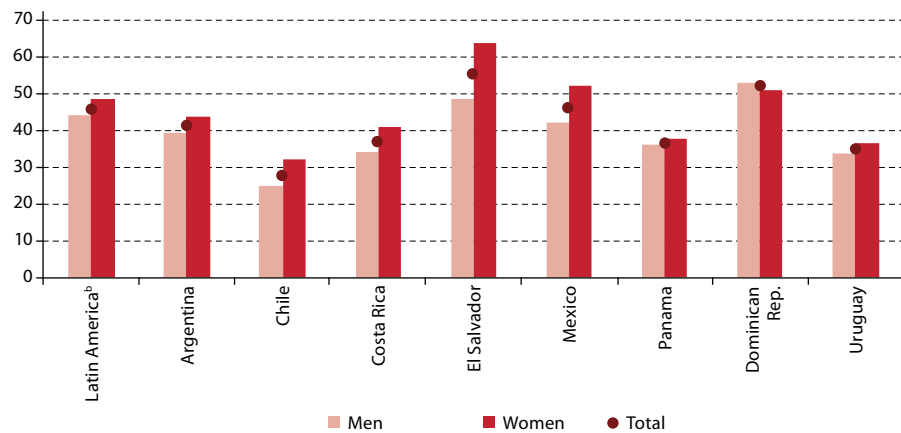
⁸ The unionization or trade union density rate measures the number of workers affiliated to a trade union as a percentage of all workers. For more information, see [online] https://www.ilo.org/shinyapps/bulkexplorer56/?lang=en&segment=indicator&id=LR_TUMT_NOC_RT_A.

⁹ The survey covers the following countries: Argentina, Bolivarian Republic of Venezuela, Brazil, Colombia, Costa Rica, Chile, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

¹⁰ If those employed worked 44 or fewer hours per week, their monthly income would fall short of the country's relative poverty line. Relative poverty is defined as 50% of the median value of per capita income, not considering equivalence scales.

¹¹ Refers to the proportion of non-agricultural employment; a proxy for informal employment.

FIGURE VII.4
Latin America (selected countries): urban employed
in low-productivity sectors of the labour market,
by sex, around 2019^a
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), CEPALSTAT [online] <https://estadisticas.cepal.org/cepalstat/portada.html?idioma=english> [accessed in 2020].

^a Persons aged 15 and over. Data refer to 2017 for Chile, to 2018 for Mexico, and to 2019 for the other countries.

^b Weighted average for Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

4. Lack of access to social protection

In 2016, only 48.1% of employed workers were affiliated or contributing to a pension system (over half were not) (ECLAC, 2019). For example, in 2017 18% of those employed in the Plurinational State of Bolivia were affiliated to a pension system, compared with 87.8% in Chile that same year (data from 2020, ECLAC, 2021b). This is important in both the present and the future, since those who are not paying into a pension system today will not be entitled to a contributory pension in their old age nor, in many cases, to health services provided through contributory social security (ECLAC, 2016). Pension amounts are also low, either because not enough payments have been made into defined benefit systems or because too little has been contributed to individual capitalization accounts.

INSTITUTIONS

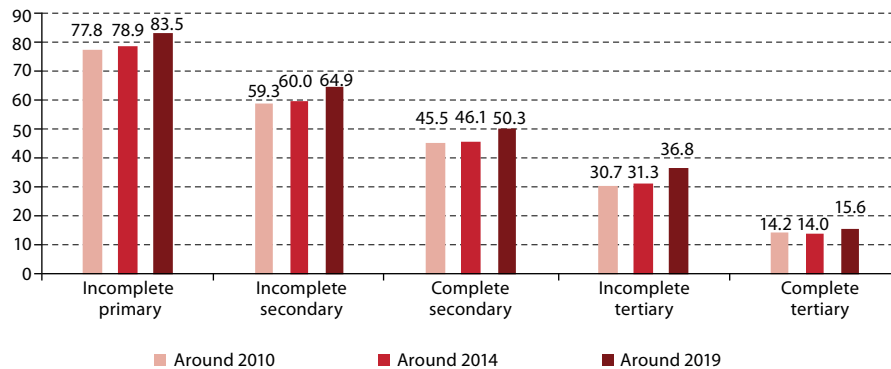
ECLAC and ILO have partnered to study labour markets, with a particular emphasis on income and social protection issues.

<https://www.cepal.org/en/publications/type/eclac-ilo-report>.

5. The importance of education for labour integration

The possibilities of entering the labour market and obtaining better income are directly related to the capacities and skills people acquire at earlier ages. Thus, the higher the level of education, the less the entry into low-productivity sectors (see figure VII.5).

FIGURE VII.5
Latin America (15 countries)^a: percentage of employed aged 15 and over in low-productivity sectors, by education level, around 2010, 2014 and 2019
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Household Survey Data Bank (BADEHOG).

^a Weighted average for Argentina (urban areas), Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Honduras, Mexico, Panama, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

In many cases, on-the-job training can make up for gaps in qualifications and skills from earlier stages, but access to this type of facility is also highly uneven and often exacerbates equality gaps.

6. Emerging challenges

Ongoing technological changes are transforming the world of work. Up till now, employment destruction and creation processes have not reduced employment levels, but there is nothing to say that these effects could not be more drastic in the future. There is a fairly broad consensus that many jobs existing today will disappear as a result of new technologies, that even more jobs will be changed and that new ones will emerge that cannot be anticipated today (Weller, Contero and Campbell, 2019).

Technological changes will have a different impact on the labour market in the region than in Europe or the United States, owing to the higher prevalence of informality and low wages. Introducing new technologies also entails the costs of acquiring it, making adjustments, installing it, training people to use it and making workplace modifications, as well as the cost of maintaining and updating it. These costs, which are moreover higher in the region than in advanced countries (owing to import costs, for example), prevent productivity gains from being transferred to wages in the short run.

According to some estimates, this means that the risk of technological substitution is small, especially in worse quality jobs (Weller, Contero and Campbell, 2019). Accordingly, in less advantaged social sectors, such as first nation peoples, wages in the first income quintile and among the less educated are likely to suffer more than they gain from automation (Katz, 2018).

Forty-nine per cent of the employed in the region work in jobs that are at potential risk of automation and just under 33% of all occupations are at high risk. This percentage falls to under 22% in the primary sector and rises to 35.4% and 34.1% in the secondary and tertiary sectors. These variations are due to the degree of structural heterogeneity of the activity sectors in each country, including level of informality, the size of the low-productivity segment, the number of self-employed and the prevalence of micro- and small enterprises, among others (ECLAC/OEI, 2020) (see table VII.1 for estimates by country).

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Less than half of those of adult age pay into pension systems.

48.1%
OF ADULTS
pay into
pension systems

TABLE VII.1
Latin America (17 countries): percentage of employed
in jobs at risk of automation, total
and high-risk occupations
(Percentages)

COUNTRY	YEAR	TOTAL POTENTIAL	OCCUPATION AT HIGH POTENTIAL RISK OF BEING AUTOMATED			
			TOTAL	PRIMARY	SECONDARY	TERTIARY
Argentina	2018	39.0	32.9	58.0	38.4	30.4
Bolivia (Plurinational State of)	2018	31.5	15.7	4.8	26.1	18.6
Brazil	2018	62.9	44.0	39.6	46.0	44.1
Chile	2017	39.5	34.3	30.0	32.7	35.1
Colombia	2018	52.4	22.7	20.1	30.9	21.0
Costa Rica	2018	59.6	47.5	59.1	46.5	45.9
Dominican Republic	2018	56.6	34.5	19.8	39.6	35.0
Ecuador	2018	34.3	21.4	12.7	31.2	22.8
El Salvador	2018	38.5	29.3	20.7	38.1	28.4
Honduras	2018	62.2	32.2	32.3	38.0	29.8
Mexico	2018	38.2	27.0	12.3	29.1	29.7
Nicaragua	2014	44.7	31.0	37.2	30.9	27.0
Panama	2018	50.6	36.0	25.0	27.6	40.7
Peru	2018	34.9	19.0	5.0	29.5	22.9
Paraguay	2018	39.3	22.3	10.5	33.7	22.6
Uruguay	2018	46.6	37.9	36.6	37.4	38.2
Venezuela (Bolivarian Republic of)	2014	40.4	24.1	36.2	10.8	26.2
Latin America		49.0	32.6	21.6	35.4	34.1

Source: Economic Commission for Latin America and the Caribbean/Organización de Estados Iberoamericanos para la Educación, la Ciencia y la Cultura (ECLAC/OEI), "Educación, juventud y trabajo: habilidades y competencias necesarias en un contexto cambiante", *Project Documents* (LC/TS.2020/116), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2020.

Technological progress and the modifications it produces in value chains, together with diverse short-term events, lead to the creation of new types of jobs and the destruction of others. This raises challenges, on the one hand, of certain skills becoming obsolete and new capabilities being needed and, on the other, of some labour regulations becoming unable to fulfil their purpose of ensuring decent work in all spheres.

At the same time, in terms of the need to adopt a development sustainability perspective, recently the idea has gained strength that more effort should be devoted to creating jobs related to environmental protection under the "green job" concept. This refers to decent jobs that contribute to preserving and restoring the environment either in traditional sectors such as manufacturing or construction or in new emerging sectors such as renewable energies and energy efficiency. Like in the case of jobs based on new technologies, this requires a transition process that in turn entails training and skills transfer.

New employment modalities

Changes in the world of work have ushered in what is known as the "gig economy", where work tends to be project-based and sought for short periods. It is very common among the younger generations and those who lack the skills necessary to participate in the formal economy.



The new forms of employment arising from this process include figures such as remote workers, especially those known as “digital day labourers”, who have relatively flexible working hours bound by employers’ open availability requirements, and often have to use their own capital equipment. These correspond to a group of occupations that sit on the boundary between wage and independent work, often highly informal and falling outside any regulations that could ensure labour rights (ECLAC/ILO, 2019).

With close links to the digital economy, one of the greatest advantages of this type of work is the flexibility it affords the worker, as it can be performed anywhere there is an Internet connection, provided the worker has the necessary tools, e.g. a bicycle or a car.

However, this type of work also has major disadvantages associated with the lack of regulation, resulting in a lack of social protection, precisely for one of the groups that most need it given the instability of the work. This adds new layers of informality to those already existing, and in some cases generates a new form of invisible work in remotely performed digital tasks, for example, in software programming for gig economy platforms. In other cases, it worsens precarious labour conditions, since people doing this kind of work often put in excessive hours in order to secure sufficient income, or they are exposed to higher risk, for example, those working in delivery of online purchases.

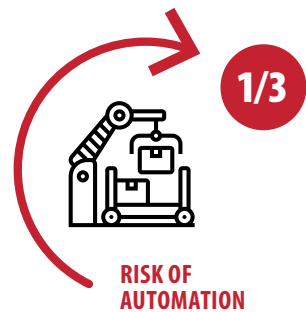
It is increasingly important how enabling technologies are managed in a world tending towards automation, particularly in relation to information and communications technologies (ICTs) and Internet use as a baseline, as major access gaps exist in these areas. In Latin America and the Caribbean, in 2017 only one in two households had access to the Internet (2020 data, ECLAC, 2021b). One possibility for improving this situation is to close skills gaps and foster transferable skills through on-the-job training.

The risks of automation and job loss are heightened in situations of crisis. For example, in the context of the health crisis caused by the COVID-19 pandemic, it is estimated that 42.4% of jobs in the region are at high risk and 16.5% are at medium-high risk (ECLAC/ILO, 2020). Although this risk becomes more evident in times of crisis, the fact remains that it is also a function of the changing situation of the labour market. The two aspects exacerbate each other and make skills acquisition all the more important.

STATISTICS

One in every three people works in a job at risk of automation.

The new employment modalities can widen gaps in the adult population.



This text is part of a United Nations publication coordinated by Simone Cecchini, Senior Social Affairs Officer of the Social Development Division of the Economic Commission for Latin America and the Caribbean (ECLAC), Raúl Holz, Consultant of the same Division, and Humberto Soto de la Rosa, Social Affairs Officer at ECLAC's subregional headquarters in Mexico. The document contributes to the activities of the project "Leaving no one behind in Latin America and the Caribbean: strengthening institutions and social policy coherence and integration at the country level to foster equality and achieve the Sustainable Development Goals", financed by the eleventh tranche of the United Nations Development Account. More information on the project, including other relevant materials, is available at: igualdad.cepal.org/en

The authors are grateful for the valuable comments of Fabián Repetto to an earlier version of this document and Nicole Bidegain, Fabiana Del Popolo, Andrés Espejo, María Luisa Marinho, Malva- marina Pedrero, Leandro Reboiras, Claudia Robles, Lucia Scuro, José Ignacio Suárez, Varinia Tromben, Daniela Trucco and Heidi Ullmann on specific chapters, as well as the support of Daniela Huneus in the preparation of the document. They also thank all the participants in the discussions at the training workshops "Que Nadie se Quede Atrás en la Senda del Desarrollo de Panamá" (Panama, November 15-16, 2018) and "Políticas Sociales para que Nadie se Quede Atrás" (Santiago de Veraguas, April 9-10, 2019, and Panama, April 11-12, 2019), organized by the Social Development Division and ECLAC Subregional Headquarters in Mexico, in collaboration with the Social Cabinet of the Government of the Republic of Panama. Thanks are due to María Elisa Bernal, Simone Cecchini, Raúl Holz, Daniela Huneus, Francisca Miranda, Beatriz Morales, Marcelo Munch, Amalia Palma and Daniela Trucco for their generous contribution of photographic material for this publication.

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United Nations publication
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This publication should be cited as: S. Cecchini, R. Holz and H. Soto de la Rosa (coords.), *A toolkit for promoting equality: the contribution of social policies in Latin America and the Caribbean* (LC/TS.2021/55), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2021.

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