

AN UNEVEN RECOVERY: TAKING THE PULSE OF LATIN AMERICA AND THE CARIBBEAN FOLLOWING THE PANDEMIC*

2021 LAC HIGH FREQUENCY PHONE SURVEYS

November 2021

Main Messages

- *Labor market indicators show signs of recovery (employment has recovered with respect to 2020 and even with respect to pre-pandemic levels in a few countries), but job quality has deteriorated (informality has increased). Hours worked remain below pre-pandemic levels and, thus, more than half of respondents report that their labor income has not fully recovered.*
- *Close to half of the households in the region are still unable to recover their pre-pandemic (total) income level, despite receiving support from the government in the form of regular and emergency transfers and despite increases in private transfers.*
- *During the pandemic, food insecurity almost doubled in the region. Countries with greater inequality and poverty experienced a bigger shock in terms of food insecurity.*
- *Engagement in some form of educational activity in the region is twelve percentage points below the attendance rate before the pandemic. In addition, the level and type of engagement varies substantially between and within countries.*
- *Women face larger burdens than men to retain their jobs or reenter the labor market. They not only continue to lose jobs at much higher rates than men, but they are seeing larger increases in non-paid domestic work, particularly in the supervision of children's educational activities.*
- *Access to general health services has gone back to pre-pandemic levels, but vaccination hesitancy remains a cause for concern. This is particularly true for countries in the Caribbean, rural households across the entire region, and populations with low levels of education.*
- *The pandemic has incentivized the use of mobile wallets across the region, though usage rates are still low. The use of digital transactions (both mobile banking and e-commerce) also increased, signaling the importance of digital technologies to stay economically connected and/or to receive monetary support.*

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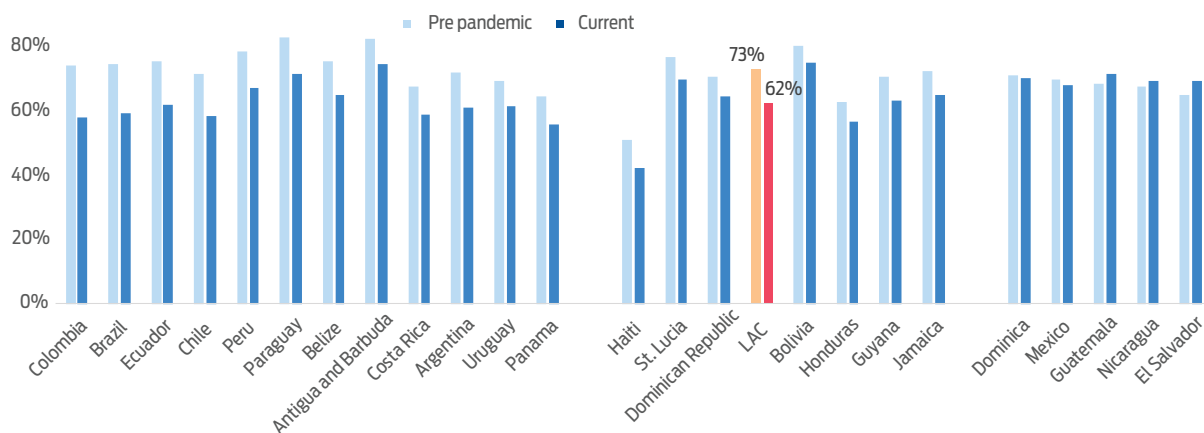
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To continue monitoring how the Covid-19 pandemic has affected the welfare of households in the region, the World Bank and UNDP have joined forces in the implementation of a second phase of High-Frequency Phone Surveys (HF-PS)¹ in Latin America and the Caribbean. The survey, collected between May and July 2021, takes the socio-economic pulse of households and measures the wellbeing of the region a year and a half into the pandemic.² This note presents the emerging results in the areas of labor markets, income and food security, education, gender, health, and access to digital and banking services.

Labor Markets

The Latin America and Caribbean region is emerging from the Covid-19 crisis with a weakened economy, which is limiting the ability of workers to reenter the labor market. As countries relaxed confinement measures and advanced their vaccination campaigns, employment levels began to show signs of recovery. However, workers in the region still face challenges to secure employment, at least to the same level as before the pandemic. The regional employment rate is 11 percentage points below the pre-pandemic rate, with 62 percent of the working-age population currently employed (Figure 1). Colombia and Brazil exhibit the largest gaps compared to pre-pandemic levels, with the employment-to-population ratios around 17 percentage points lower. Ecuador follows closely this figure, at 14 percentage points. Conversely, employment has bounced back and recovered in some countries, such as Guatemala, Nicaragua, and El Salvador.

Figure 1. Employment to population ratio (18+ years old)



Source: LAC HFPS II (Wave 1), 2021 data. Own calculations.

1 The collaboration builds on the efforts of the World Bank in a first phase (HFPS-I), when three waves of data were collected (May, June/July, and August) in 13 countries in 2020, with an average of 800 observations per country.
2 The survey was collected in 24 countries (Antigua & Barbuda, Argentina, Brazil, Belize, Bolivia, Chile, Colombia, Costa Rica, Ecuador, Dominica, Dominican Republic, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, St. Lucia, and Uruguay) and are nationally representative of the adult population (18+) with a phone for each country. The data for Brazil was collected between July and September 2021.

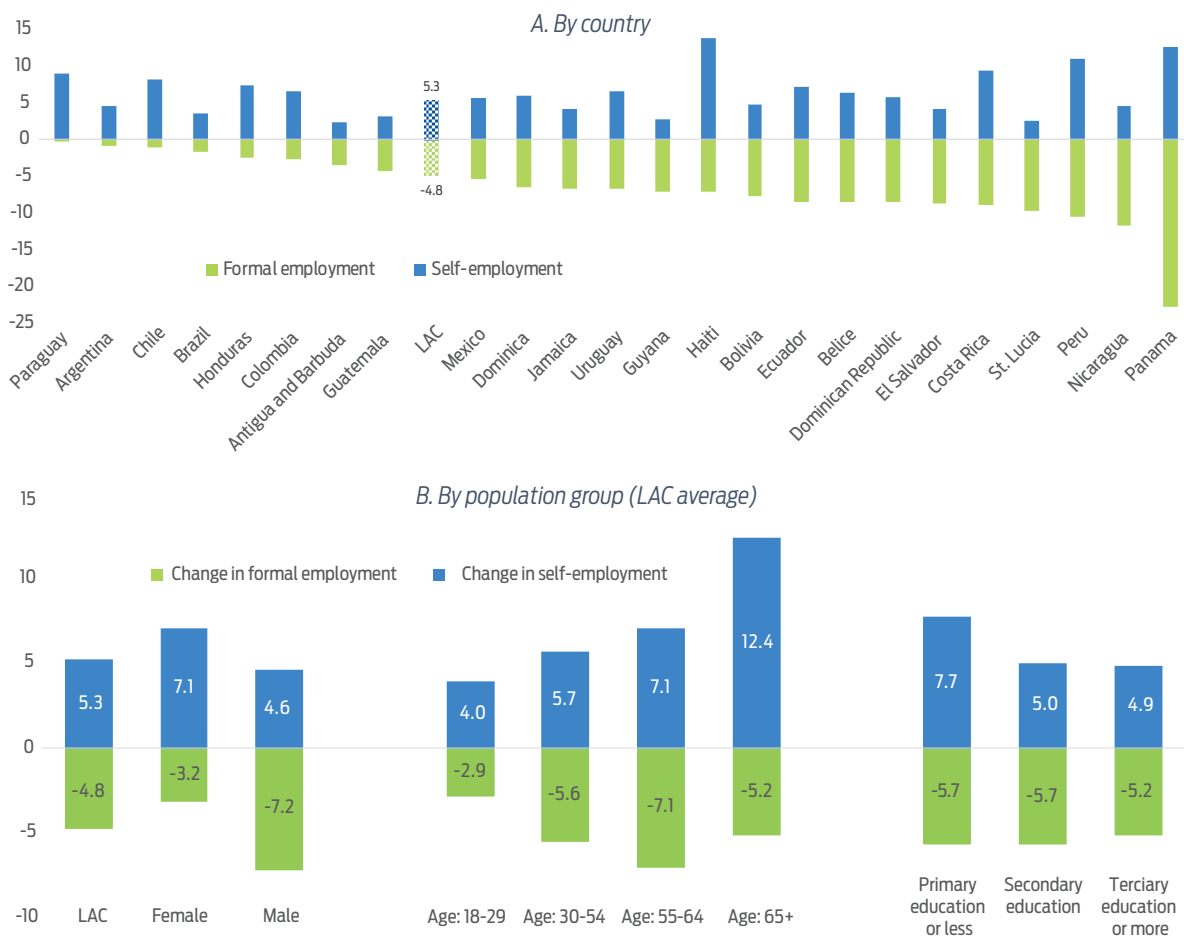
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Apart from lower employment levels, there has also been a deterioration in the *quality* of jobs available in the labor market. On average, formality has fallen by 4.8 percentage points, with Panama, Nicaragua, and Peru displaying the largest declines (22.7, 11.6, and 10.6 percentage points, respectively, Figure 2A). Moreover, the proportion of self-employed workers has increased from 15 to 20 percent, and the share of employment in micro-enterprises – those with up to four workers – increased by over 7 percentage points on average. There has also been a significant decline in the number of hours worked compared to before the pandemic, whether through choice or necessity: 37 compared to 43 hours per week. It is of particular concern that the quality of employment has worsened mainly among vulnerable groups: women, the elderly, and less-educated workers (Figure 2B).

Figure 2. Change in the share of formal employment and self-employment (p.p.) HFPS-II vs. pre-pandemic



Source: LAC HFPS II (Wave 1), 2021 data. Own calculations.

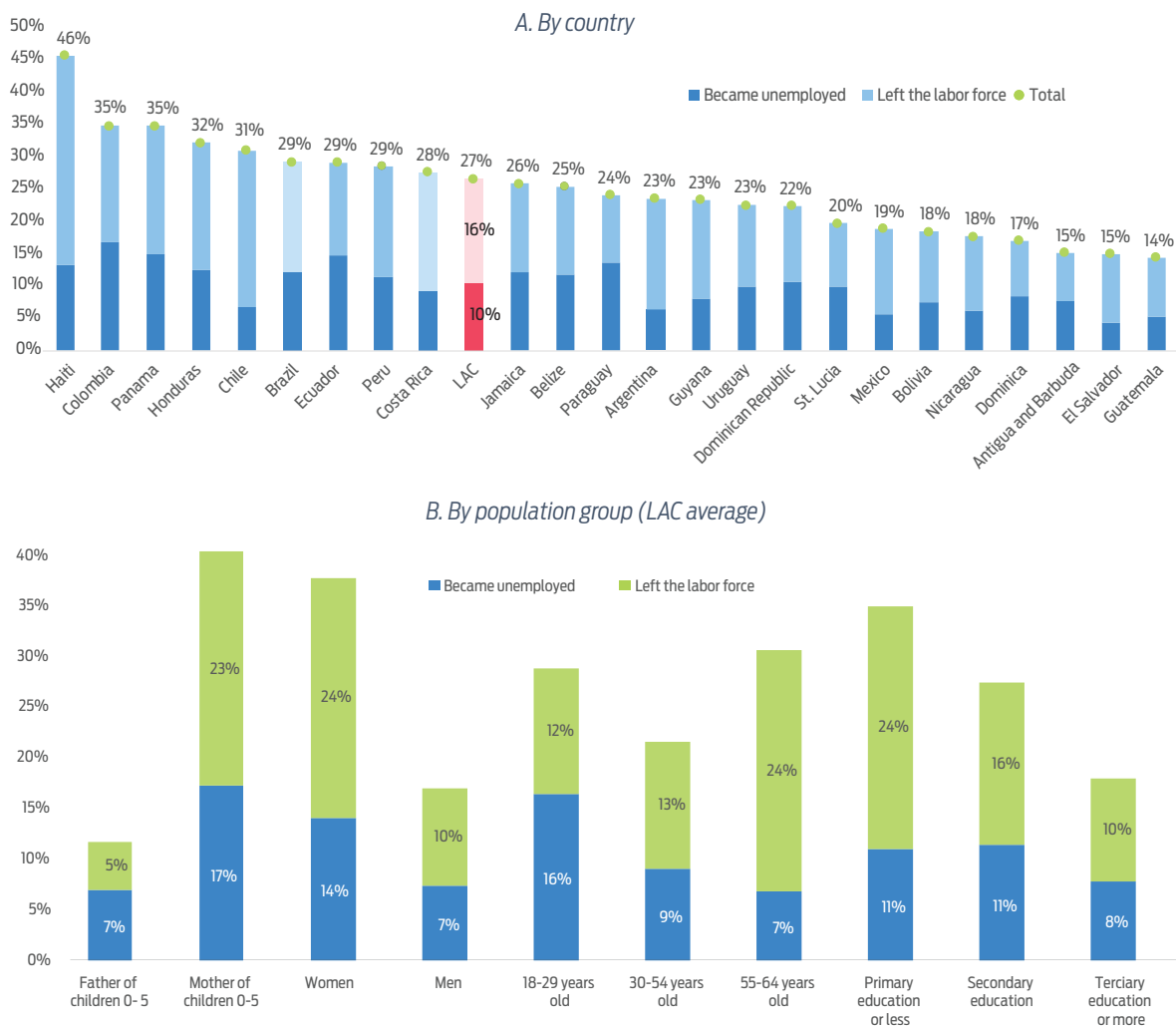
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Many workers have also left the labor force altogether after becoming unemployed. Close to one in four people employed before the pandemic in Latin America and Caribbean report that they no longer work, and more than half of them have exited the labor market force. After Haiti, a country hit by more than one shock since 2019, Colombia presents the highest job loss rate, at 35 percent, with about half of those previously working leaving the labor force (Figure 3A). The most affected by job loss are: women (38 vs. 17 percent compared to men), particularly mothers with children less than five years old; old workers (31 vs. 28 for younger workers, and 22 for workers between 30-54 years old), and those with low educational attainment (35 vs. 27 and 18 percent for those with secondary and higher education, respectively) (Figure 3B).

Figure 3. Share of people that were employed pre-pandemic and became unemployed or left the labor force (18+)



Source: LAC HFPS II (Wave 1), 2021 data. Own calculations.

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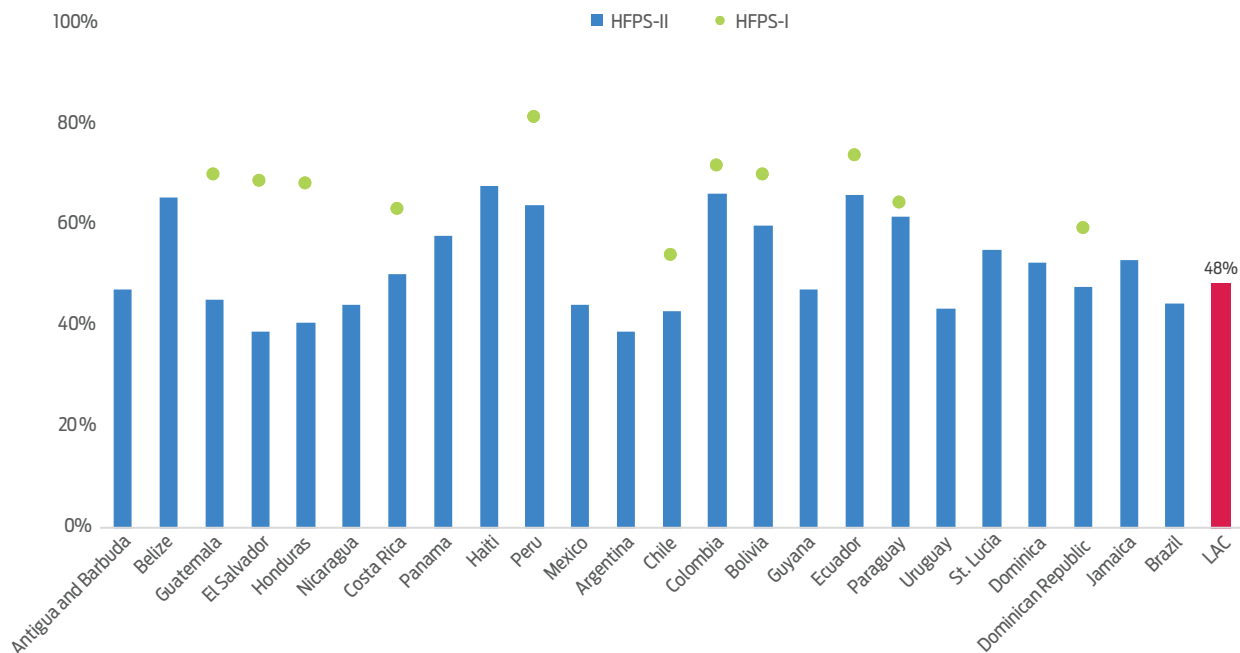
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Income and Food Security

Negative labor market outcomes are reflected in household earnings, as nearly 50 percent of all households in the region still struggle to bring their total income back to pre-pandemic levels. For some countries, like Guatemala, Honduras, and El Salvador, recovery is visible and the proportion of households that report their total income is below pre-pandemic levels has declined considerably compared to mid-2020 (Figure 4). In contrast, improvements have been less salient in Bolivia, Paraguay, Ecuador, and Colombia, where income levels for more than 60 percent of households have yet to show signs of recovery. This scenario of economic turmoil for households in LAC has persisted despite government attempts to counter it through expansions in coverage and expenditure of regular social transfers and the introduction of emergency transfers, which jointly benefit 46 percent of households in the region at present. As of 2021, emergency aid coverage ranged from 3 percent of households in Haiti to nearly 80 percent of households in El Salvador (Figure 5) and varied widely in size across countries.

Figure 4. Share of households that report a reduction in total income since the onset of the pandemic



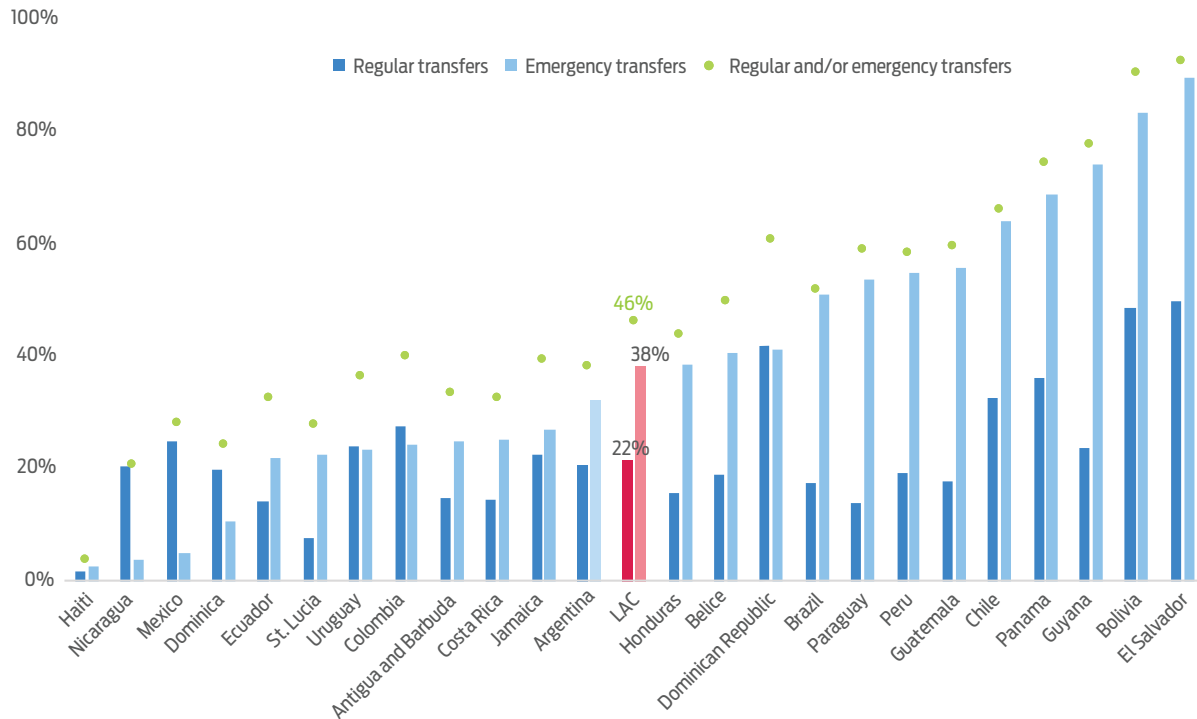
Source: LAC HFPS I & II (Wave 1 for both), 2020 and 2021 data. Own calculations.

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Figure 5. Share of households that received government transfers during the pandemic



Source: LAC HFPS II (Wave 1), 2021 data. Own calculations.

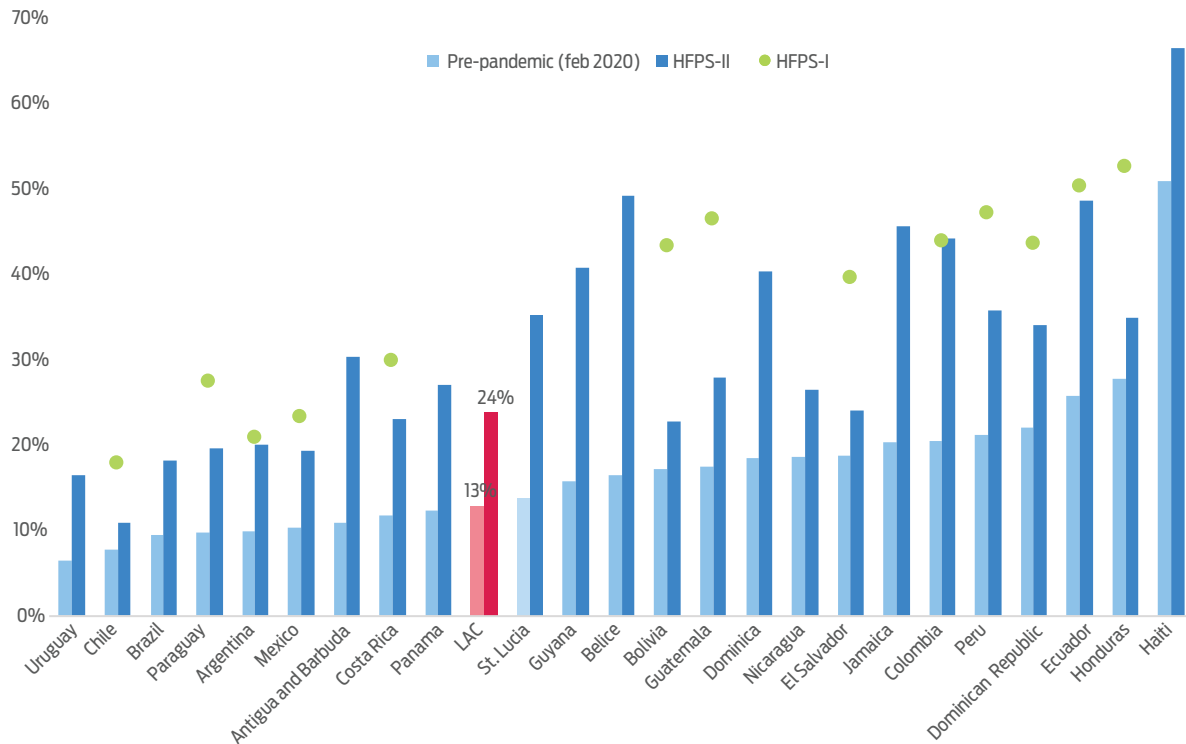
As a result of diminished resources, nearly twice as many households in the region suffer from food insecurity compared to before the onset of the pandemic. This is evidenced by the fact that 24 percent of households across LAC reported having run out of food due to lack of money or other resources, as opposed to 13 percent before the start of the pandemic (Figure 6). All countries appear to be worse off after the pandemic, and those with higher inequality and poverty have endured the largest increases in food insecurity. Caribbean countries such as Haiti, Jamaica, Dominica, St. Lucia, Guyana, and Belize face particularly worrisome levels of food insecurity. For some countries, a visible recovery with respect to the outlook in mid-2020 is observed: Bolivia, Guatemala, and Honduras have displayed the most significant declines in the incidence of food insecurity (21, 18, and 18 pp., respectively). On the other hand, the situation in Argentina, Colombia, and Ecuador remains worrisome yet stable, with households facing similar levels of food insecurity as they did at the onset of the pandemic in 2020.

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Figure 6. Share of households that ran out of food: pre-pandemic, HFPS-1, HFPS-2



Source: LAC HFPS I & II (Wave 1 for both), 2020 and 2021 data. Own calculations.

Education

Most children are engaged in some form of educational activity in the region, although engagement levels (and quality) vary considerably across countries, ranging from 64 percent in Guatemala to 97 percent in Chile.

In most countries, engagement rates (including in-person attendance and remote learning) are below pre-pandemic attendance levels. Regionwide, engagement in any education activities is 12 pp below the pre-pandemic attendance rate. This suggests severe learning losses and an increase in drop-out rates, with grave implications for the accumulation of human capital. The lowest levels of engagement are observed in Guatemala, Guyana, and Belize, with only two-thirds of school-age children engaged in some form of education.³ Many countries are highly reliant on remote learning options to keep children engaged, such as Chile, Peru, Panama, and Ecuador (Figure 7A).

³ This includes in-person and virtual lessons or other assignments by teachers, learning apps, classes by video, TV, or radio.

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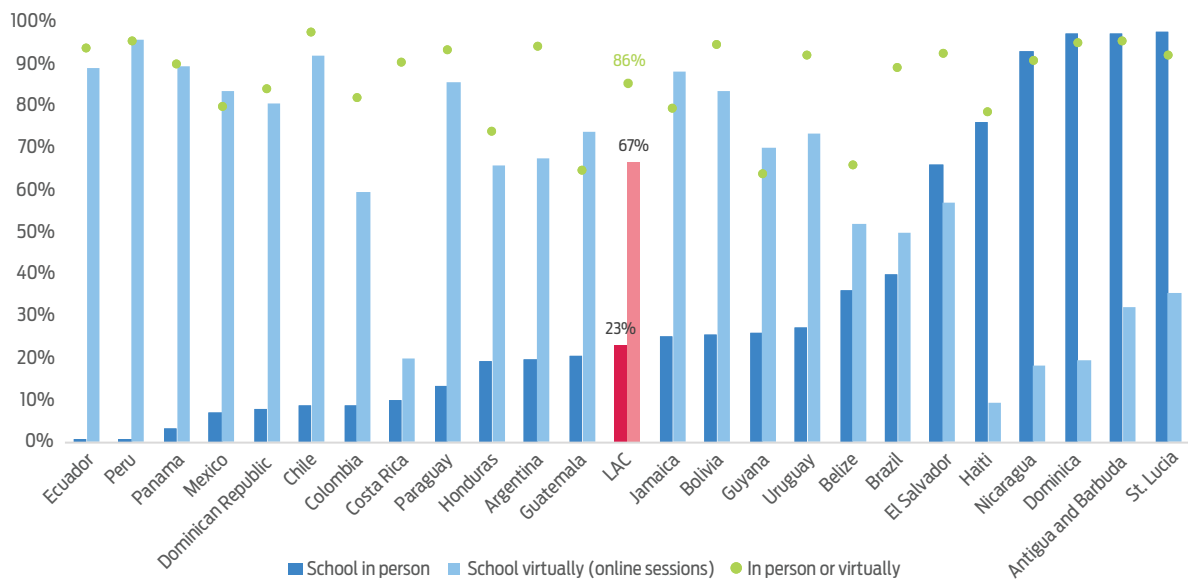
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More than one year into the pandemic, only 23 percent of students in the region were attending school in person. Vaccine deployment and government policies differed greatly across the region, explaining these differences. Educational engagement in Ecuador⁴, Peru, Paraguay, and Chile has been mainly virtual, as schools remained closed for the most part. On the contrary, in-person attendance was more common in the Caribbean and Central America (Figure 7A). Children in wealthier households, measured by the number of assets, are more likely to be engaged in schooling, but their attendance is also mostly virtual (Figure 7B). Lower engagement in learning activities and low face-to-face attendance pose significant risks for children’s learning outcomes and human capital accumulation. Recent estimates reveal that students in the region lost between 12 and 18 months of schooling.⁵ Those from low socio-economic levels were particularly affected, which suggests long-lasting negative effects on social mobility and inequality.

Figure 7. Engagement in educational activities and attendance

A. Share of school-age children engaged in education activities by type



⁴ Information for Ecuador was collected in May, this could affect the supply of virtual or in person schooling.

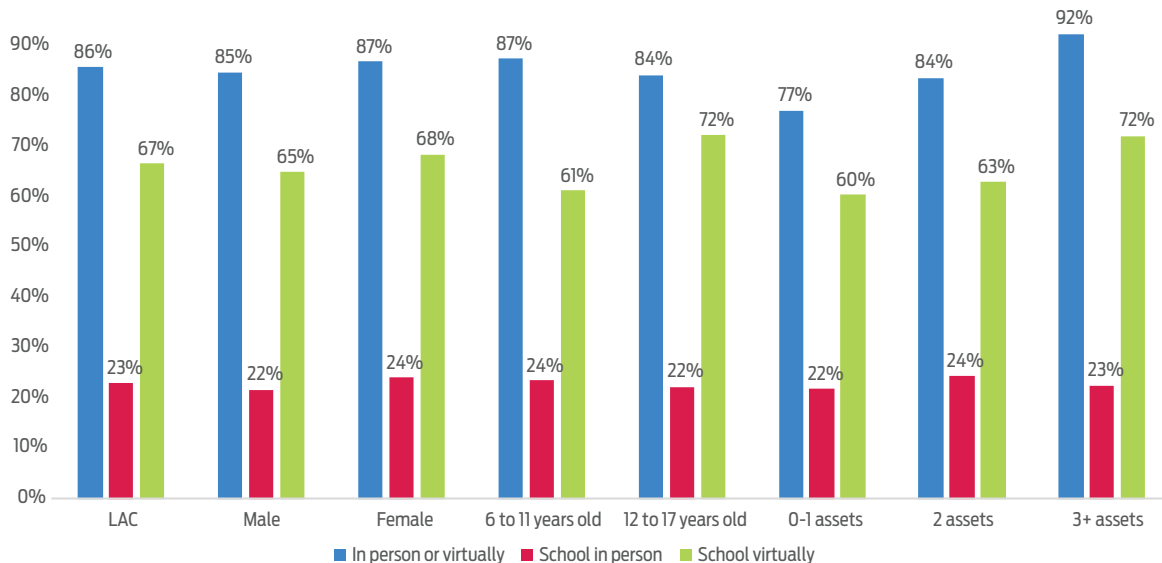
⁵ World Bank. 2021. *Acting Now to Protect the Human Capital of Our Children: The Costs of and Response to COVID-19 Pandemic's Impact on the Education Sector in Latin America and the Caribbean*. Washington, DC. <https://openknowledge.worldbank.org/handle/10986/35276>

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B. Attendance rate by type of education and children's characteristics



Source: LAC HFPS II (Wave 1), 2021 data. Own calculations.

Gender

The situation of women in the region one year and a half into the pandemic remains worrisome. Gender gaps, in terms of job losses, have widened since the onset of the pandemic in 2020, especially for mothers with younger (0–5 years old) children. As of 2021, women in the region are twice as likely as men to have lost their pre-pandemic jobs. This is partly explained by the weak recovery of sectors in which women are predominantly employed: the services sector and other activities where personal interaction is fundamental. Job losses for fathers of young children is one-third the rate experienced by mothers with similarly aged children. Unfortunately, more than half of the women who lost their job have exited the labor market altogether, thereby significantly reducing female labor force participation in the region (Figure 8A).

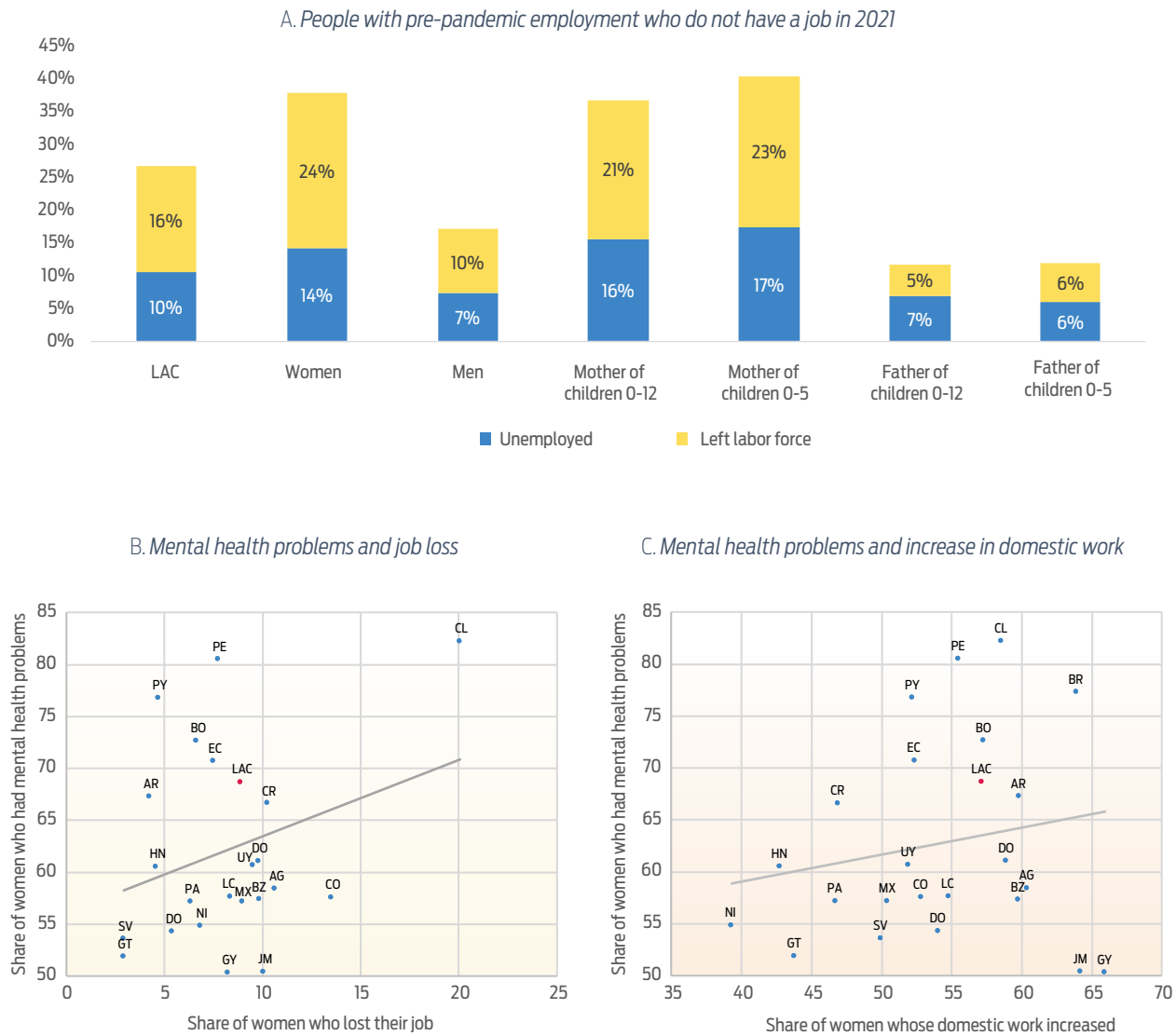
High levels of job losses are related to increases in domestic responsibilities, particularly the supervision of children's educational activities. Both men and women have seen an increase in the number of hours spent at home and with family-related duties, especially the supervision of children's educational activities. This is partly explained by the fact that the supply for in-person education (and childcare in the case of younger children) has not been fully restored in the region. However, the burden is more pronounced for females than males: around 60 percent of the former report an increase in the time spent in this activity compared to 44 percent of the latter. This limits women's ability to return to partial or full-time work, reinforcing traditional gender roles. An important negative aspect of job losses and increased unpaid domestic work is their link to greater mental health problems for women (Figure 8B and C).

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Figure 8. The burden of the pandemic on women



Source: LAC HFPS II (Wave 1), 2021 data. Own calculations.

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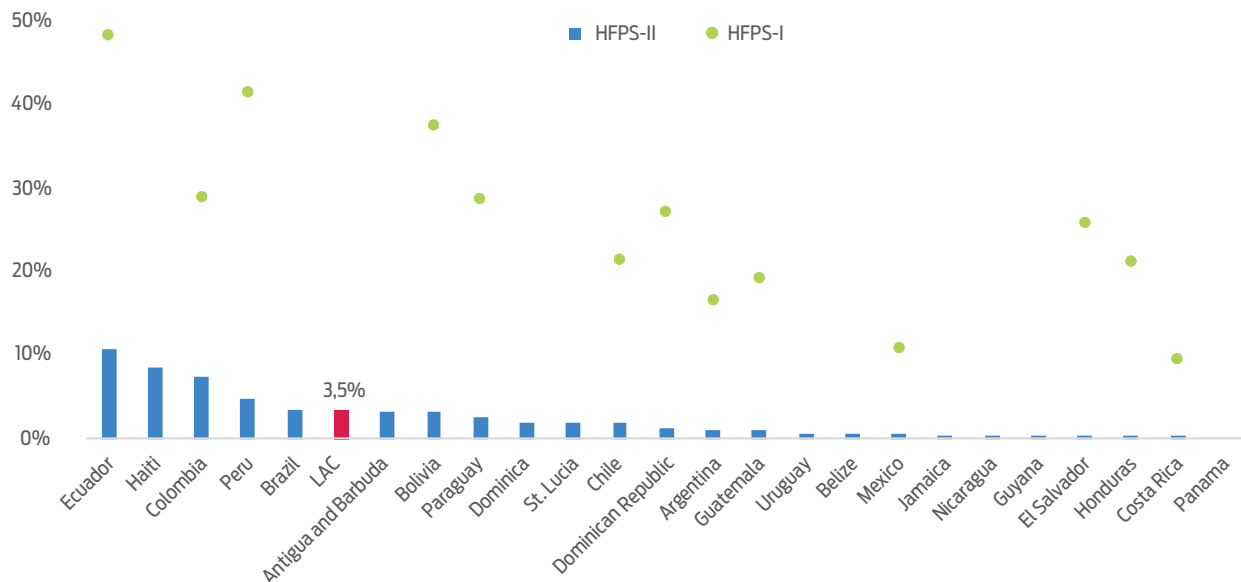
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Health

Access to general health services has improved, returning almost to pre-pandemic levels. At the regional level, only 3.5 percent of households were unable to access health services when needed in 2021. This shows a significant improvement compared to 2020, when access to health services was very limited; it oscillated between 10 percent (Costa Rica) and 48 percent (Ecuador). Nonetheless, while access to health services has been considerably restored in countries like El Salvador and Honduras, countries such as Ecuador, Haiti, and Colombia still face some limitations in providing access to care. For instance, in Ecuador, 11 percent of households in the country are currently still without access (Figure 9) – albeit a significant improvement from 2020, when close to 50 percent of households fell into this category.

Figure 9. Share of households where someone could not access health services when needed



Source: LAC HFPS II (Wave 1), 2021 data, and LAC HFPS I (Wave 1), 2020 data. Own calculations.

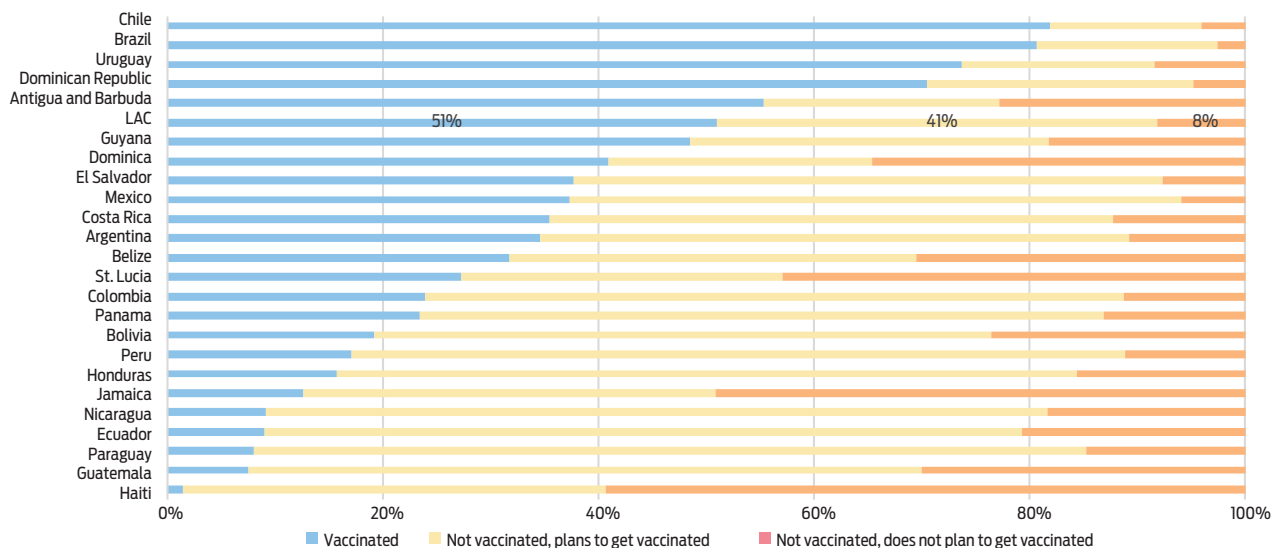
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Vaccination rates have improved significantly in the region but hesitancy to get vaccinated is still a concern, particularly in various countries in the Caribbean. About eight percent of respondents across the region do not plan to get vaccinated. Among the unvaccinated, more than half state that their unwillingness derives from a lack of trust and a concern with the effectiveness of the vaccine. Vaccination hesitancy is particularly high among rural households and individuals with lower levels of education. Within the region, people in the Caribbean show the highest levels of vaccination hesitancy. Close to 60 percent of respondents in Haiti are reluctant to get vaccinated, followed by Jamaica and St. Lucia, at 50 percent and 43 percent, respectively (Figure 10). These are all countries where the vaccination campaign has progressed slowly, particularly in Haiti. Much remains to be done in these cases to increase knowledge about the merits of getting vaccinated.

Figure 10. Vaccination status by country



Source: LAC HFPS II (Wave 1), 2021 data. Own calculations.

Current demand for preventive health services indicates that households are returning to the health system more broadly. A small proportion of households in the region, five percent, sought COVID-related services while the rest sought medical care for non-COVID matters. For the remainder of households accessing medical services, the split between those seeking medical attention for non-preventive and preventative reasons was even (48 vs 47 percent). This level of preventive health services indicates that health systems are no longer overwhelmed by the pandemic. It

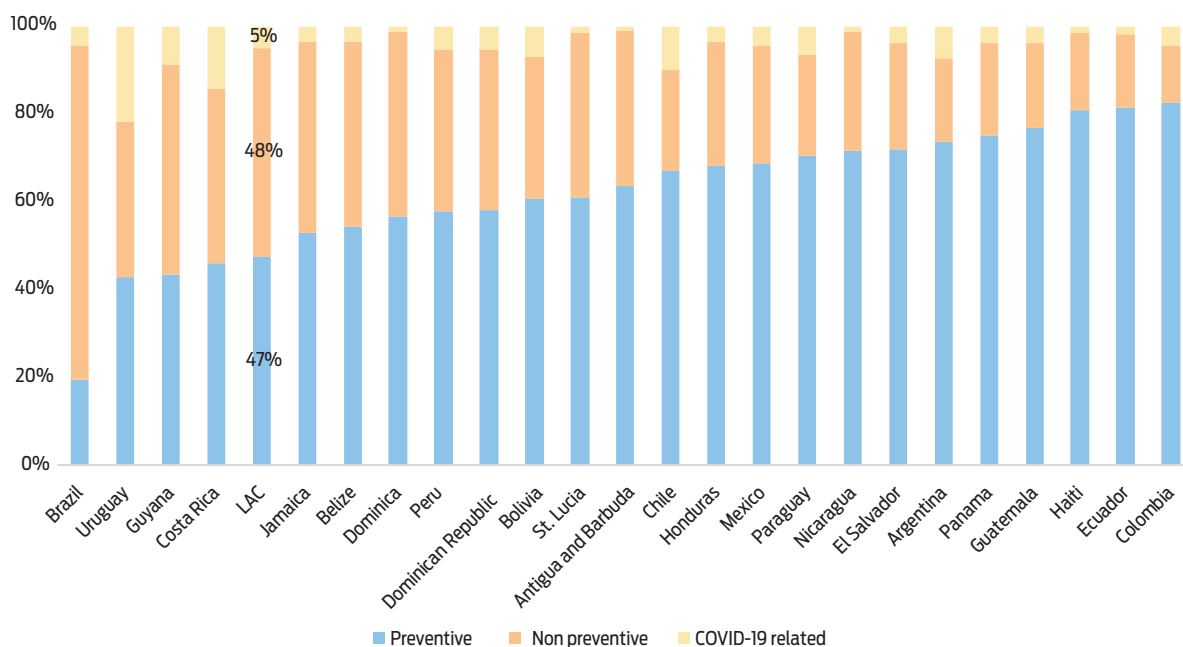
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also reveals that households can now focus on broader areas of care, which will hopefully prevent illness in the future. In countries such as Brazil and Guyana, non-preventive care is still more pronounced than preventive care, but in most countries preventive service demand is higher.

Figure 11. Type of medical assistance demanded by households who need medical services



Source: LAC HFPS II (Wave 1), 2021 data. Own calculations.

Access to Digital and Banking Services

High costs, power outages, and poor quality of connectivity are the most important challenges that households face when accessing and using the internet. While internet connectivity has been a key mitigation tool for households to cope with the negative effects of the pandemic⁶, there are important challenges when trying to access it. Firstly, in countries such as Honduras and Guyana, over 70 percent of households report having trouble using the internet because of power outages. Across the region, this affects 37 percent of households (Figure 12). Moreover, nearly one out

⁶ Ballon, P.; Mejia-Mantilla, C.; Olivieri, S.; Lara-Ibarra, G.; and J. Romero. 2021. *The Welfare Costs of Being Off the Grid*. World Bank, Washington, DC. <https://openknowledge.worldbank.org/handle/10986/36026>

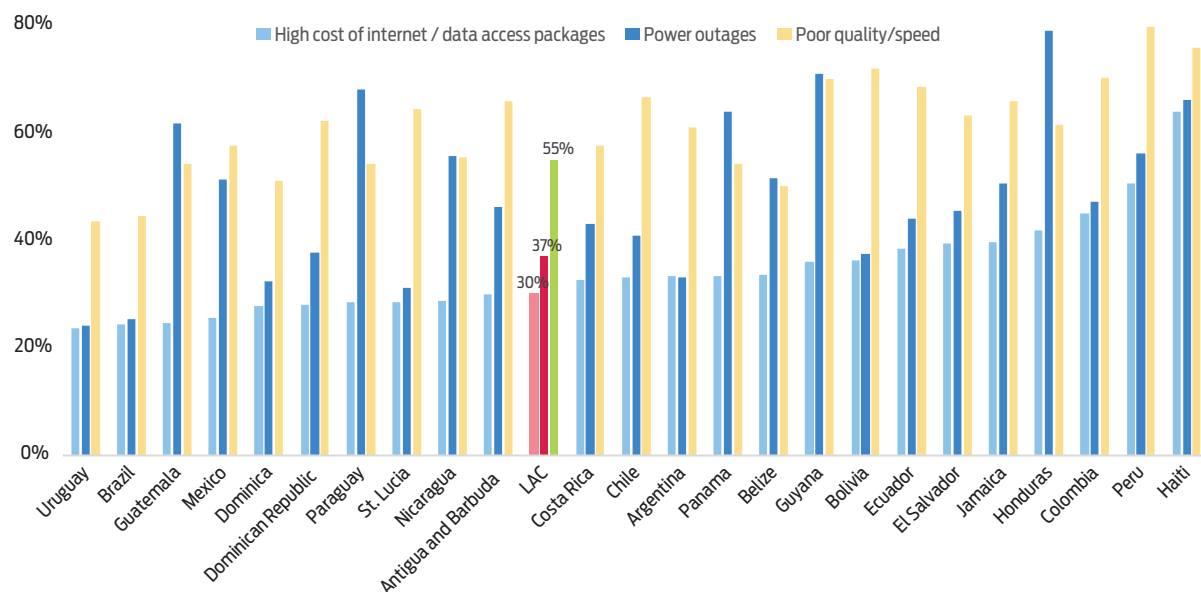
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of three households in LAC report the high cost of internet services as one of the main problems. Households in Colombia, Peru, and Haiti are particularly affected by this issue. Finally, more than half of households experience poor quality or low speed of internet services. Low access to the internet and poor internet quality can undermine the ability to work from home or connect virtually to school, resulting in direct effects on household wellbeing.

Figure 12. Share of households that report issues with internet connection by type



Source: LAC HFPS II (Wave 1), 2021 data. Own calculations.

In spite of these challenges, the pandemic has shown the potential of digital technologies to facilitate the access of Latin Americans to goods and services, particularly in remote areas. About half of the respondents that engaged in digital transactions⁷ report an increase in the use of mobile banking and e-commerce since the start of the pandemic (Figure 13A). Chile is the country with the highest growth in the use of digital transactions, with an increase of 68 percent. Moreover, while the overall use of digital payment tools (mobile wallets) remains low in the region at 26 percent, one quarter of users began using the service after the pandemic started. Importantly, rural populations, older individuals (55 years and over) and those with lower education levels (Figure 13B) proved quick to adopt this technology. These results show that great potential exists for the expansion of digital technologies as a means to improve the efficiency of markets and increase access to banking, which could lead to substantial gains in the wellbeing of consumers.

⁷ For the region, about 40 percent of respondents report using mobile banking or e-commerce.

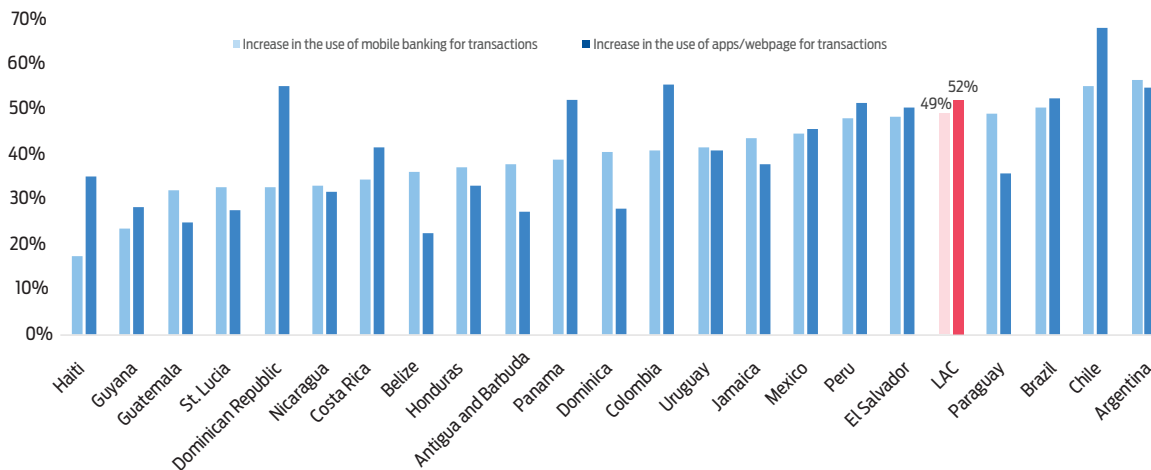
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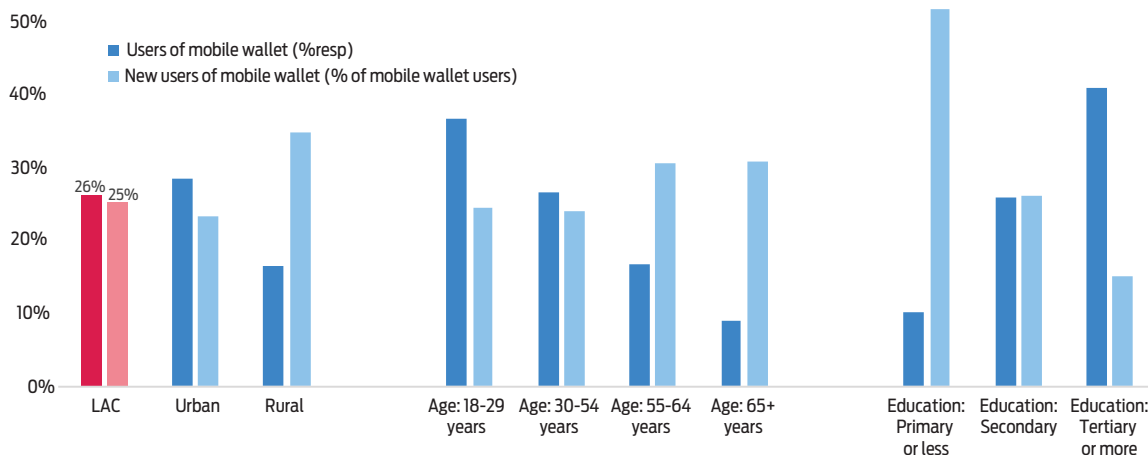
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Figure 13. Use of digital tools and technologies

A. Share of digital users with an increase in the use of mobile banking and apps/webpage for transactions⁸



B. Share of digital wallet users: overall and new users, by population group (LAC average)⁹



Source: LAC HFPS II (Wave 1), 2021 data. Own calculations.

⁸ Only for respondents who have a bank account. Ecuador and Bolivia are not included because of the small number of observations.

⁹ Antigua and Barbuda is not included in the averages. In addition, it must be noted that there was a low response rate in Ecuador, Bolivia, Costa Rica, El Salvador, Dominican Republic, Chile, Uruguay, Nicaragua, Colombia, Honduras, and Peru.