SOCIAL PROTECTION OFFER FOR LATIN AMERICA AND THE CARIBBEAN

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Introduction

Social protection plays a crucial role in achieving sustainable development. At its core, sustainable development aims to meet the needs of the present without compromising the ability of future generations to meet their own needs. Social protection mechanisms contribute to this goal by reducing poverty, fostering social inclusion, and promoting economic stability.

Social protection systems, when universal, inclusive, sustainable, and growth friendly, can prepare, prevent and mitigate the negative impacts of shocks through programmes and services for individuals and families facing risks, poverty, and vulnerability. This resilience-building aspect is essential for development, as it allows communities to prepare, withstand and recover from adverse events, ultimately reducing the likelihood of falling into cycles of poverty and vulnerability.

This document outlines the programmatic offer of social protection for Latin America and the Caribbean (LAC) prepared by the United Nations Development Programme (UNDP). This approach draws from insights provided by UNDP's Global Social Protection Offer 2.0, as well as from relevant documents recently developed by the Regional Bureau for Latin America and the Caribbean (UNDP RBLAC).[1]

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1   Especially chapter 5 of the Regional Human Development Report 2021 (UNDP 2021), Levy and Cruces (2021), and Paiva and Pardo (2024).

1.
Defining social protection

According to the Social Protection Inter-Agency Cooperation Board (SPIAC-B), social protection is:

> *a set of policies and programmes aimed at preventing and protecting all people against poverty, vulnerability and social exclusion, throughout their life cycle placing a particular emphasis on vulnerable groups. This means ensuring adequate protection for all who need it, including children; people of working age in case of maternity, sickness, work injury or for those without jobs; persons with disability and older persons. This protection can be provided through social insurance, tax-funded social benefits, social assistance services, public works programs and other schemes guaranteeing basic income security and access to essential services (SPIAC-B 2019).*

Moreover, UNDP's definition of social protection adds at least three relevant dimensions: i) policies and programmes should be "nationally owned" (that is, governments should hold significant responsibility for its implementation and financing); ii) they should also be "organised around systems" (which emphasises the relevance of policy coherence of these policies and programmes), and iii) they should increase capacities and capabilities. Although other institutions also mention these dimensions in their approach to social protection, they are closely aligned with UNDP's mandate to support sustainable development, highlighting the importance of good governance and solid foundations for human development.

2.
Social protection organisation – types of programmes, systems, and financing

Social protection policies and programmes can be administered via social insurance, social assistance, or universal schemes. Social insurance extends to individuals who have made prior contributions, covering them against traditional social risks like old age, disability, death, maternity, sickness, job injury, or unemployment.[2] These contributions are often linked to employment and earnings-related, and, while used to cover individual risks, are not well suited for covering systemic risks. Social assistance schemes offer protection against certain social risks and poverty, typically based on low-income thresholds, and are funded through general taxation. Universal social protection is also funded through general taxation, with individuals entitled to benefits and services if they meet specific trigger criteria (often associated with demographic characteristics), regardless of income.

Recently, there has been growing support for broadening social protection to address nature-related risks, which has led to the development of the concept of Adaptive Social Protection. These arguments gained significant momentum due to the social and economic crises triggered by the COVID-19 pandemic. This crisis prompted an unprecedented response in social protection efforts (Gentilini 2022), aiming to increase support for individuals already covered by existing social insurance or social assistance schemes, and those who previously had no coverage.

From an administrative perspective, social protection systems have increasingly been based on digital public infrastructure: ID systems, administrative registries (that collect information about formal workers, contributions to social insurance, or vulnerable individuals and households), and payment systems.

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2   Typical social insurance benefits against these social risks are contributory pensions (old age, disability and survivor pensions), maternity, sickness, job injury, and unemployment benefits. Correspondent non-contributory benefits also cover some of these risks, such as social pensions, job-seeker allowances and cash transfers.

Although integrated apps and websites have been the most visible part of the digitalization of public services (which allows citizens and residents to claim benefits and services but also have the potential to be exclusionary due to the digital divide), advances in the digital public infrastructure have the potential to result in a faster, more inclusive and more secure provision of public benefits and services.[3] Efforts to make administrative registries interoperable, for instance, reduce the burden on individuals and households to provide or update existing information to governments, decrease the time necessary for the public sector to pay benefits or offer services, and improve their targeting.

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3   For reflections on the potential of and concerns with the adoption of digital solutions in social protection, see for instance UNDP (2023a), Hebbar (2022), Burattini et al. (2022), Alvarenga, Burattini and Perin (2022), Lindert et al. (2020).

3.
How social protection was historically structured in the region[4]

3.1.   Origins of social protection in Latin America and the Caribbean

In Latin America and the Caribbean, pioneer countries started to build their social protection systems in the 1920s, firmly based on social insurance.[5] Up to the 1960s, countries throughout the region had developed social insurance institutions (Mesa-Lago, Cruz Saco and Gil 2021): pensions, other social security benefits, and health services were mainly contributory.

As mentioned, social protection systems based on social insurance programmes and services are associated with conservative or corporatist welfare regimes (Esping-Andersen 1990), which reproduce labour market stratification. In Latin America and the Caribbean, these institutions were developed in a context of high and persistent labour market informality, resulting in social protection systems "'truncated' at the margins of formal employment" (Barrientos and Hinojosa-Valencia 2009, p. 8). In other words, social protection used to be offered to a (frequently small) share of the labour force. These welfare regimes were named by Barrientos (2004) "conservative-informal", combining a relatively strong social insurance component with a labour market characterised by a clear formal/informal stratification.

This conservative-informal welfare regime went through two significant historical junctures since the 1980s. In the 1980s and 1990s, structural pension reforms were enacted in 11 countries in the region. Although these reforms had some positive effects (among them, the unification of excessively generous pension regimes and a faster administration of benefits), they failed

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4   This section presents a general view of the development of social protection in the region. However, significant differences may be found between countries in the region. Mesa-Lago (1978), Filgueira (1998) and Martinez-Franzoni (2008) are good examples of the work of identifying clusters of countries by common characteristics in the development of their social protection systems.

5   Argentina, Brazil, Chile, Cuba and Uruguay were defined by Mesa-Lago (1991) as pioneers in adopting social insurance systems.

to increase coverage (one of their main alleged objectives), gender inequalities increased, and replacement rates ended up lower than expected (Mesa-Lago and Valero 2020). The persistence of high labour market informality and increased space for market provision of social protection led some of these countries to a "liberal-informal" welfare regime (Barrientos 2004). Between 2008 and 2010, three of these countries re-reformed their pension systems (Argentina reversed the structural reform; Bolivia nationalised their pension fund administration; Chile created a solidarity pillar).

The second juncture happened in the 1990s and 2000s. At this point, the persistently high labour market informality led to a growing consensus: it would be unrealistic to expect social insurance schemes, whether public or private, to benefit the poor and vulnerable groups in the region effectively (Willmore 2007). With the introduction of large-scale, tax-financed social assistance benefits (old-age social pensions and CCT programmes),[6] many people and families without any form of social protection began to be covered by social assistance, targeted benefits, and health services.

Social pensions have played a crucial role in expanding old-age coverage across the region, providing financial security for older people previously excluded from formal pension systems. The Economic Commission for Latin America and the Caribbean (ECLAC) suggests that, by 2019, 3 out of 4 persons aged 65 or older were covered by a contributory or a social pension, with a remarkable increase between 2010 and 2019 in the coverage of the first quintile (from 34.3% to 56.3%) and of women (from 62.6% to 73.0%, still 3.7 percentage points below the coverage observed for men) (ECLAC 2022).[7]

Concurrently, CCT programmes have emerged as a powerful tool in the fight against poverty and inequality. These programmes have alleviated immediate poverty and yielded other socio-economic benefits: CCT programmes contribute to improvements in education and health outcomes, as families receiving cash transfers are more likely to invest in their children's education and healthcare (Bastagli et al. 2016). By addressing both immediate needs and long-term development goals, social assistance programmes in LAC have become relevant in fostering inclusive growth and social progress.

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6   The Family Allowances Programme (PRAF), a precursor to CCT programmes, started in Honduras in the early 1990s; in Brazil, the first local CCT programme emerged in the mid-1990s, and Mexico introduced Prospera in 1997 (Lindert et al. 2020; Paiva, Cotta and Barrientos 2019). CCT programmes spread rapidly throughout the region, and most countries in LAC eventually adopted their national version of these programmes. The same happened with social pensions. Although Uruguay introduced their social pensions in 1919 and other experiences (in Argentina, Brazil, Bahamas, Bermudas, Chile, Costa Rica and Cuba) date from the period between 1948 and1979, most countries adopted social pensions more recently (ISSA and SSA 2020). The number of countries in LAC with a non-contributory pension regime reached 26 in 2016 (CAF 2021).

7   There still are notable exceptions to this relatively high old-age coverage, especially in Andean countries (Colombia, Peru and Venezuela), Central America (where El Salvador, Guatemala and Honduras, for instance, present very low coverage rates), and the Caribbean (Cuba and Dominican Republic, for instance).

3.2.   Dual social protection systems and institutions

In 2017, social assistance reached one-third of the population in LAC countries (Barrientos 2024). However, despite this relatively recent introduction and expansion of social assistance benefits and services, countries in the region have yet to achieve universal social protection. This is primarily due to two main factors. First, imperfect targeting remains a significant issue: CCT programmes, for instance, still suffer from significant exclusion errors (Souza and Bruce 2022), leaving a relevant part of the poorest without any benefit. Second, by design, these policies are targeted and do not provide coverage to non-poor workers in the informal sector and their families, who are also not covered by social insurance policies and, in the COVID-19 pandemic, became known as the missing middle.

Moreover, the adequacy of social assistance benefits remains a limitation to sound social protection in the region: they are modest when compared to more generous social insurance benefits.

In recent decades, the original conservative-informal welfare regime in LAC went through two historical junctures. At the first juncture, some countries approved structural pension reforms leading to a liberal-informal welfare regime. At the second juncture, they introduced social assistance benefits and services to cover those not protected by typical social insurance policies. The result was not a universal social protection system but dual social protection institutions (Barrientos 2019; 2024), with "distinct social protection institutions serving distinct groups of wage earners" (2024, p. 262): formal workers and the better-off, protected by a relatively complex (and more expensive) set of social insurance policies, and informal workers and the vulnerable population, covered by a relatively modest and limited set of social assistance policies. This dual system also affects those who remain out of the labour force, particularly women (due to care responsibilities), who are also covered only by modest social assistance.

As social insurance schemes continue to be the most robust component in several social protection systems in LAC, labour market stratification and inequalities still tend to affect how individuals and families are covered against social risks.

The context of high informality in the labour market largely persists in the region and limits the reach of more robust forms of social protection. Informality in LAC is higher than one could expect from the level of development of its countries[8] (see Figure 1). Although a few countries in the region experienced a reduction in informality between the mid2000s and the mid2010s (Keifman y Maurizio 2012), the situation has remained fundamentally stable since then (see Figure A1 in the Annex).

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8   Exceptions are Brazil, Chile, and Uruguay, countries with lower labour market informality than would be expected based on their per capita GDP. Costa Rica and Jamaica have expected levels of informality. The other 12 LAC countries with available data have informality rates above expected.

Figure 1. Labour market informality rate by per capita GDP (PPP)
(in percentages of occupied population) worldwide, circa 2020
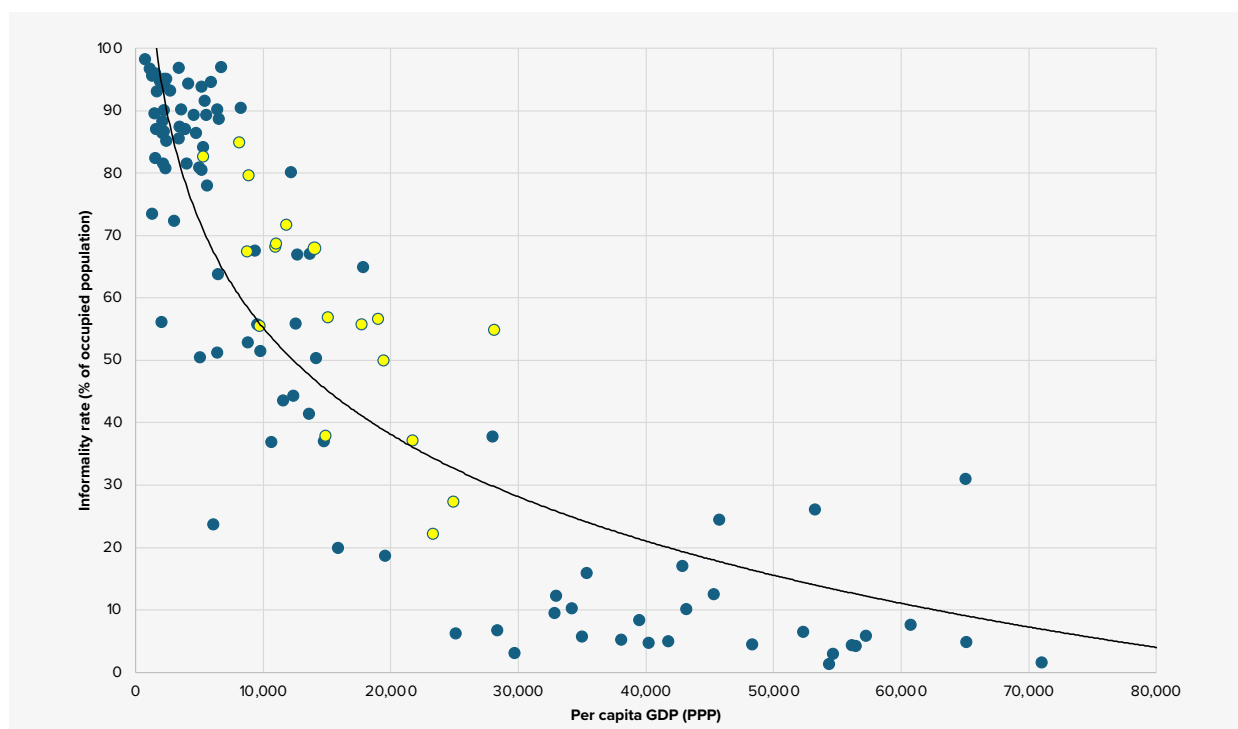
Source: Prepared by the authors based on data from ILOSTAT (labour market informality) and World Bank (per capita GDP).
Note: LAC countries in yellow.

In a system primarily reliant on social insurance, informal workers receive minimal or no social protection. This lack of protection disproportionately affects specific social groups overrepresented among those out of the labour market or in informality, such as women (whose much lower labour market participation is explained by unequal distribution of care responsibilities), rural workers, Afro-descendants, Indigenous people and the youth. Even when persons from these groups have access to contributory social protection, the level of their benefits will be disproportionally affected by factors such as wage gaps and/or longer unemployment spells.[9]

Again, this context largely persists to this day. For example, most countries in the region exhibit significant gender disparities in labour market participation when compared internationally (see Figure 2). Rural workers, on average, experience informality rates that are 21 percentage points higher than urban workers (see Figure 3 for Mexico, Central America, and the Caribbean).

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9   Amarante, Colacce and Manzi (2016) suggest that, in 2013, the benefit level for women in Argentina and Brazil was around 8-9% lower than for men. This gap was even wider in Chile and Uruguay, exceeding 20%.

Figure 2. Labour market participation gender gap (in percentage points) worldwide, circa 2021
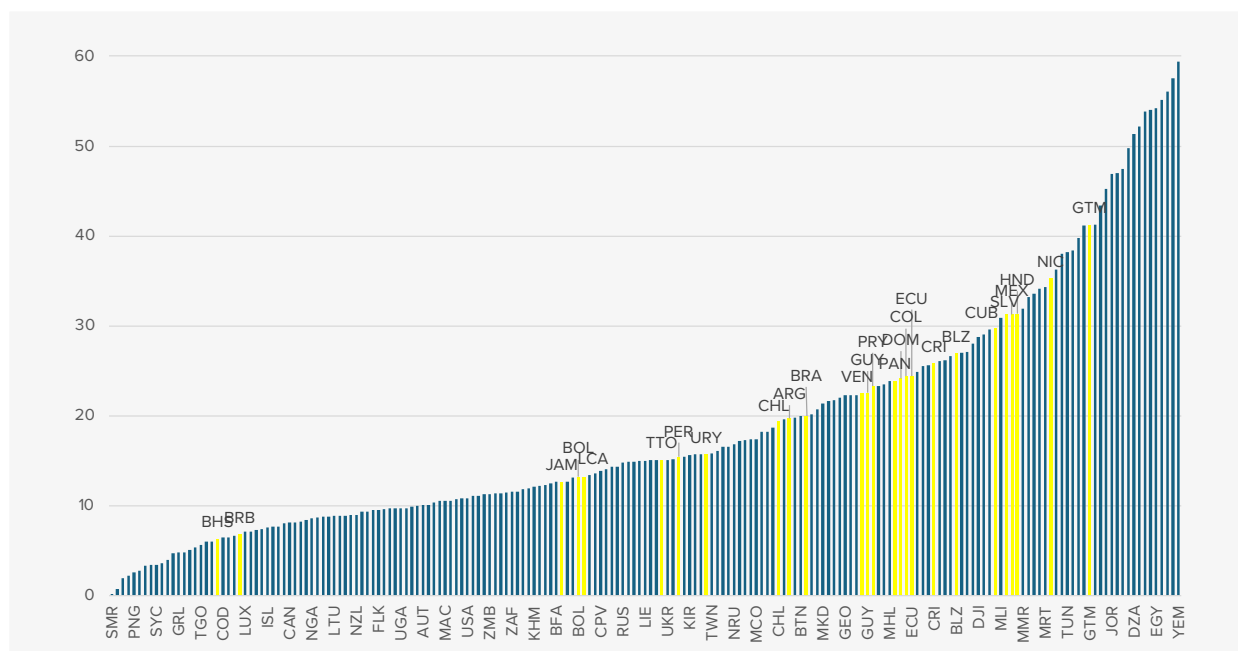
Source: Prepared by the authors based on data from ILOSTAT.
Note: LAC countries in yellow.

Figure 3. Informality rate among rural and urban workers (in percentages) in Mexico, Central America and the Caribbean, circa 2022
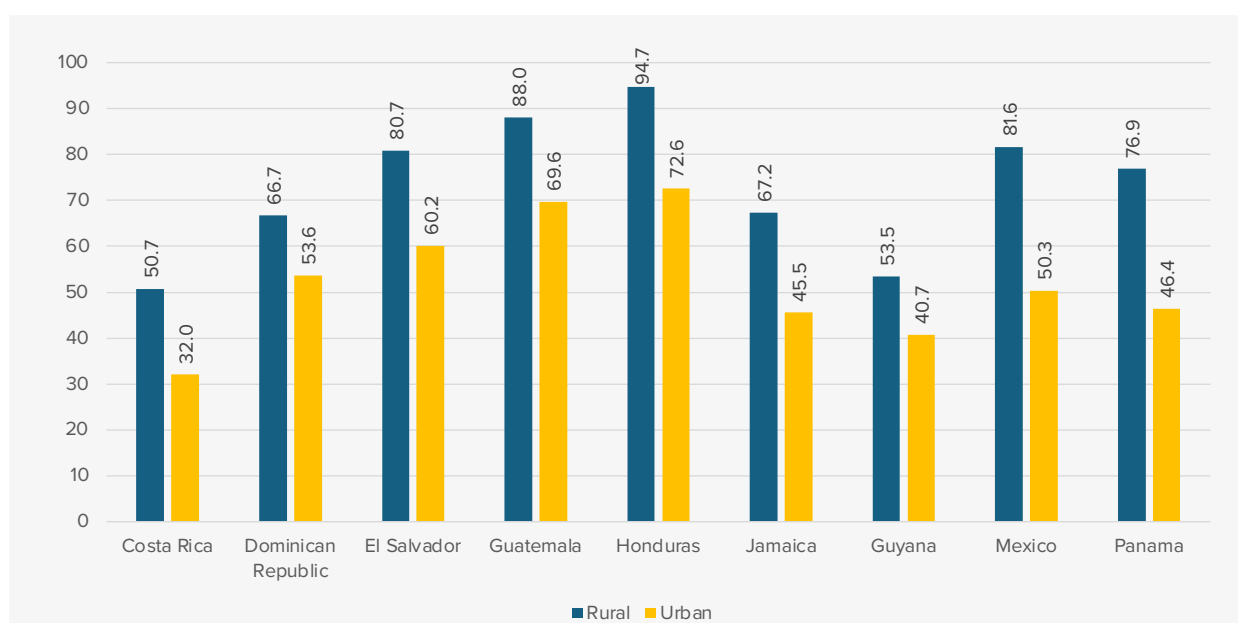
Source: Prepared by the authors based on data from ILOSTAT.
Note: The data presented for each country refer to the last year with available information.

Reducing gender, ethnic and urban/rural labour market inequalities is a moral imperative. It is also necessary to increase social protection coverage in countries where social insurance still plays a predominant role. As will be explained later, reducing labour market inequalities is also an economic imperative given increasing demographic challenges.

A straightforward way to illustrate the dualism within LAC's social protection systems is by examining the coverage of CCT programmes and contributory pensions across the income distribution. Figure 4 depicts this phenomenon using data from Colombia, though several other countries show a similar pattern. CCT programmes, typically offering the most extensive coverage among social assistance benefits, predominantly benefit the bottom quintiles of the income distribution. In contrast, contributory pensions tend to favour the upper quintiles. Figure 4 is also a helpful way to illustrate the missing middle – individuals who are not part of the formal sector and thus lack access to social insurance coverage yet are not sufficiently poor or vulnerable to qualify for social assistance benefits.

Figure 4. Coverage of conditional cash transfer programmes and contributory pensions by quintile of per capita income (in percentages) in Colombia, 2019

Source: Prepared by the authors based on data from ASPIRE.

3.3.   Remaining challenges

Targeting the poor and vulnerable is not the sole characteristic of the social assistance component in LAC dual social protection systems. Generally, social assistance benefits exhibit lower coverage rates and adequacy than contributory benefits. Figure 5 illustrates the first point (coverage) by depicting the proportion of children and their families receiving cash benefits, and the proportion of older people receiving pensions in Andean countries (a trend observed across other LAC countries). Data from the International Labour Organization (ILO) Department of Statistics (ILOSTAT) indicates that children often experience significantly lower coverage rates, even in countries where non-contributory benefits are universal or quasi-universal, such as Bolivia.

Figure 5. Children and families receiving cash benefits and older persons receiving pensions (in percentages) in Bolivia, Colombia, Ecuador and Peru (2020–2021)
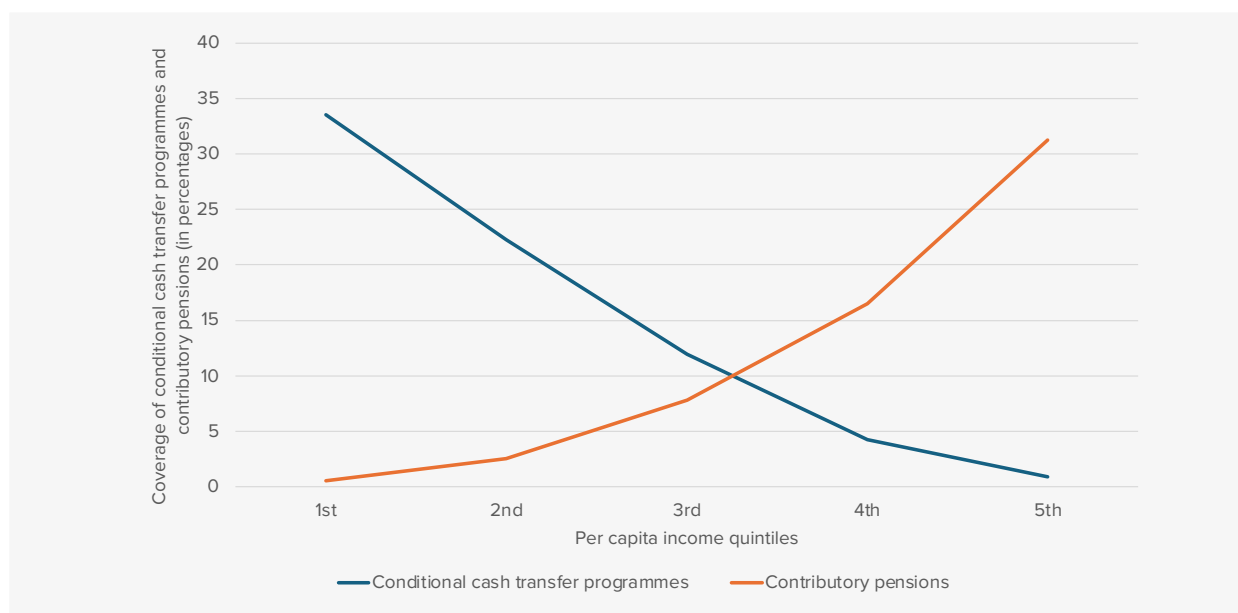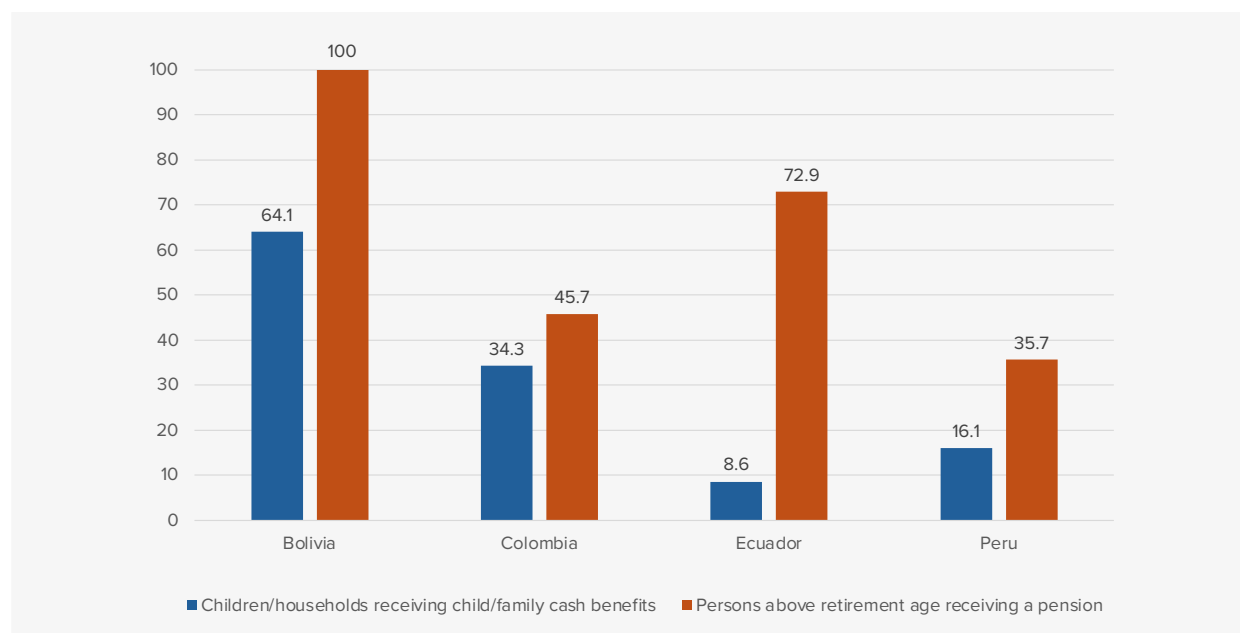

Source: Prepared by the authors based on data from ILOSTAT.
Note: The data presented for each country refer to the last year with available information.

The adequacy of CCT programmes' benefits is also much lower than contributory pensions (see Figure 6 for LAC countries with available data in ASPIRE/World Bank). Even in countries where the adequacy of CCT programmes is relatively high (such as Ecuador), it is significantly lower than the adequacy of contributory pensions.

Figure 6. Adequacy of benefits (conditional cash transfers and contributory pensions), (in percentages of mean earnings) in Latin America and the Caribbean, circa 2020

Source: Prepared by the authors based on data from ASPIRE.
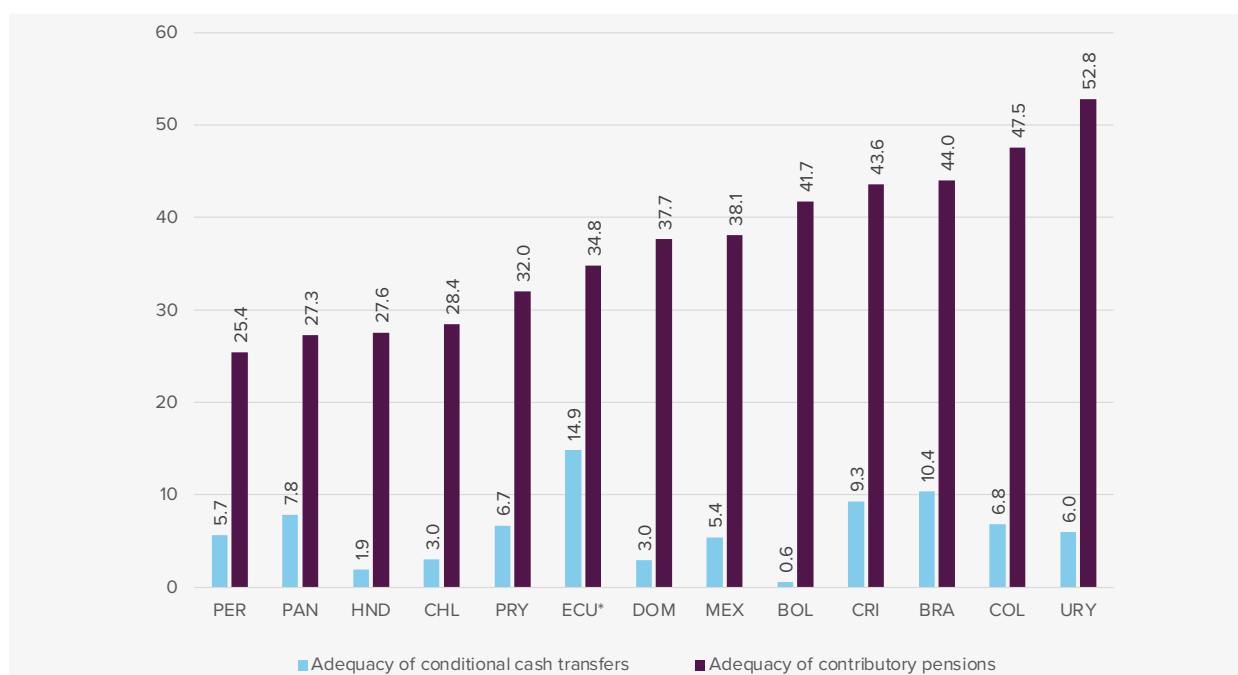**Note:** The data presented for each country refer to the last year with available information.

The much higher coverage and adequacy of pensions, when compared to CCT programmes, provides good examples of the bias towards old age that characterises social protection systems in LAC countries. According to ILOSTAT, social protection systems in these countries spend almost 11 times more with older people than with children, a proportion higher than observed in other regions (see Figure A2 in the Annex). This results in higher poverty rates for children than for older people and the total population. Figure 7, based on CEPALSTAT data, shows that the extreme poverty rate faced by children is typically three times the extreme poverty experienced by older people in Latin American countries. There are a few exceptions for countries with very low old-age social protection coverage, such as Honduras, where extreme poverty is similar for both groups. However, there also are countries such as Brazil, where the incidence of extreme poverty among children is almost 10 times higher compared to older people, or Panama, where it is more than 7 times higher.

Figure 7. Extreme poverty rate among children as a proportion of extreme poverty rate among older people (65+) in selected Latin American countries, 2019)
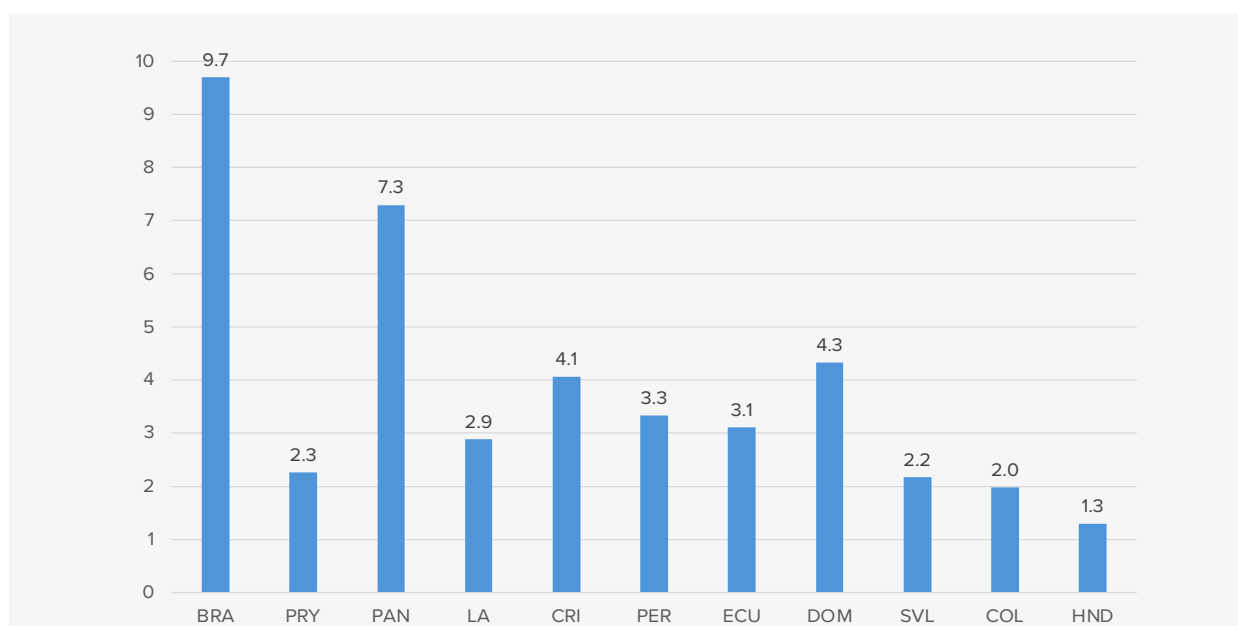
Source: Prepared by the authors based on data from CEPALSTAT.

LAC social protection systems, with a predominant focus on social insurance, reproduce labour market inequalities and exhibit biases in favour of men, major ethnic groups, urban workers, and older people. These groups typically enjoy preferential access to comprehensive social protection. At the same time, women, Afro-descendants, Indigenous people, rural workers, children, and the youth often receive only limited social assistance benefits and services.

The aforementioned dualism extends to social protection institutions. Different government agencies frequently lead social insurance and social assistance policies. Ministries of Social Development and similar institutions occasionally have institutional weaknesses, such as limited human resources and budget constraints, lack of ownership of programmes' design, poor coordination with other social areas of government (Education and Health), and limited interoperability between social registries and other administrative registries from the national and subnational governments.

A few other common characteristics of social protection systems in the region should be mentioned. The first regards the social insurance branch: a relatively small number of countries have a mandatory unemployment insurance scheme.[10] Most countries have only some sort of severance pay defined in their labour regulations.

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10   According to ECLAC (2023), only Argentina, Bahamas, Barbados, Brazil, Chile, Ecuador and Uruguay have mandatory unemployment insurance schemes in LAC.

The second is that, although almost all countries implement active labour market policies, they tend to be small-scale and fragmented. Some of these policies are vital for enhancing productivity, boosting female labour market participation, and reducing informality – important challenges facing the region in the coming decades.

The third characteristic is that social assistance benefits (CCT programmes and social pensions) have proven effective in reducing permanent poverty among children, older people, and persons with disabilities but are imperfect tools for addressing transitory, shock-related poverty (World Bank 2022; IADB 2021).

Finally, the whole social protection system tends to reinforce gender biases observed in labour markets in LAC societies as a whole. The level of pensions reproduces wage gaps between women and men; maternity benefits do not cover men and do not define a minimum amount of time that men should take off work to assume childcare responsibilities, and the experiences with care services provided by the State are still incipient, which represents a significant obstacle for increasing women's participation in the labour market.

4.
Structural trends that will affect social protection in Latin American and Caribbean countries

4.1.   Demographic transition

The demographic transition is a process in which societies go from high fertility and high death rates to low fertility and low death rates, eventually resulting in an ageing population.[11]

Figures 8A and 8B depict the demographic pyramids for 2021 and 2060 (World Population Prospects, medium variant projection), which suggests that, by 2060, LAC countries will have more than 50 million people aged 80 and over.

11   In the pre-demographic dividend period, societies exhibit a high proportion of children (high youth dependency ratio) and a minimal proportion of older persons. In general, this is a pattern for low-income countries. During the demographic dividend period, there is a decline in the youth dependency ratio, while the old-age dependency ratio remains relatively low. This stage is marked by a significant portion of the population being in their working age, facilitating faster economic growth. Finally, in the post-demographic dividend phase, societies experience high old-age dependency ratios and lower economic growth rates.

Figure 8A. Latin America and the Caribbean demographic pyramid, 2021
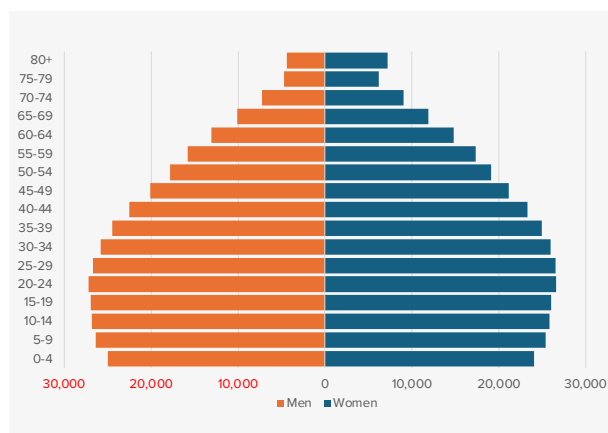
Figure 8B. Latin America and the Caribbean demographic pyramid, 2060
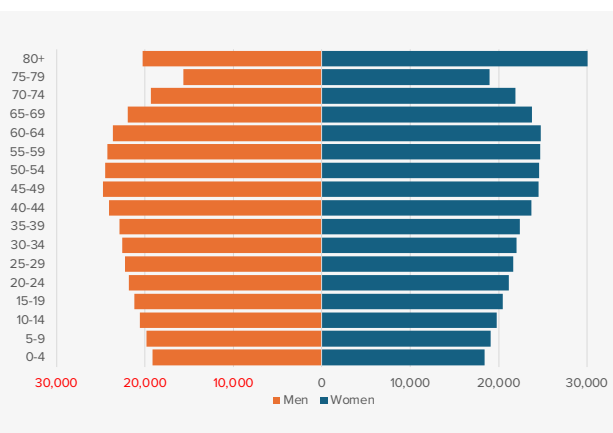
Source: Prepared by the authors based on data from DESA/UNPD, World Population Prospects 2022, medium variant projection.

   While all societies will undergo this process, the transition in LAC is characterized by a higher velocity (see Figure 9). European countries took 56 years to double the proportion of their old-age population (from 10% to 20% of the total population). Some of these countries, such as Sweden (70 years), took even longer. They experienced a long demographic dividend, allowing them to achieve high income levels before facing significant ageing demographics. In LAC, the proportion of the old-age population is expected to double in just 28 years, half the time it took for Europe to undergo a similar demographic shift. Not all countries in the region will experience this change at the same pace: Uruguay, for example, exhibits a European ageing pattern, while some countries in Central America (such as Guatemala and Honduras, for instance) still have a relatively long demographic dividend ahead. Conversely, Brazil is an example of a country expected to experience a faster-than-average rate of ageing, doubling their old-age population in only 25 years.

Figure 9. Ageing velocity: years to double old-age population (65+) from approximately 10% to 20% of the total population in selected countries and regions, different years
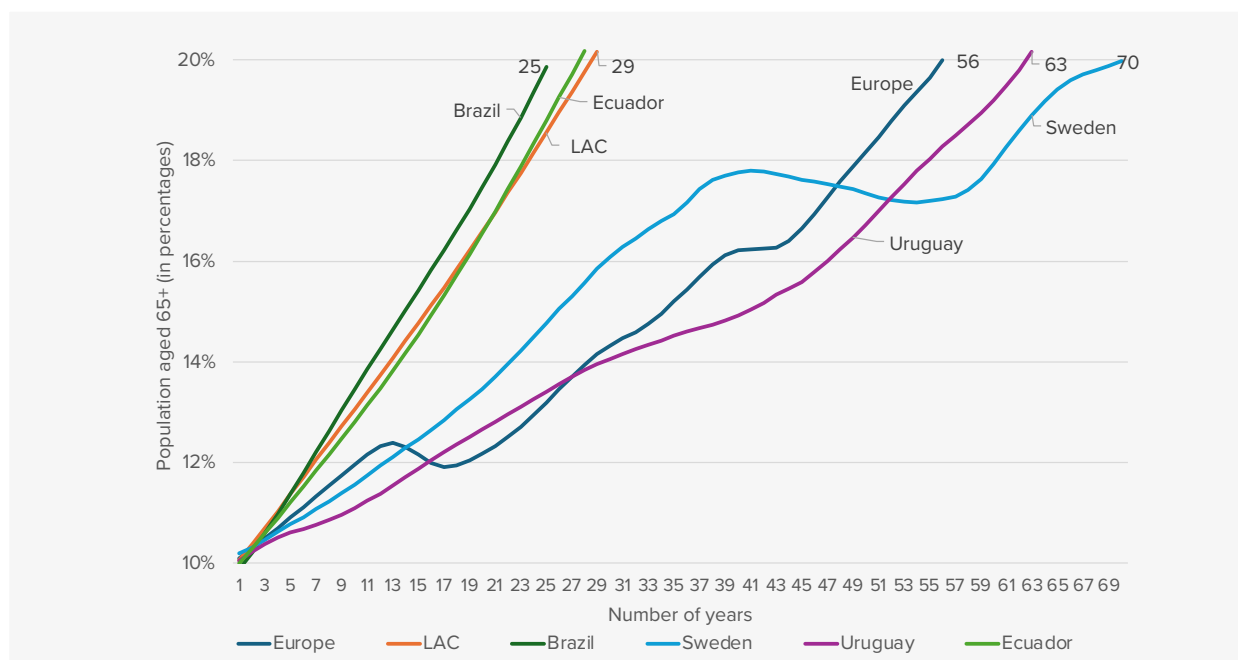
Source: Prepared by the authors based on data from DESA/UNPD, World Population Prospects 2022, medium variant projection.

The implications of demographic transition for social protection systems are straightforward for countries with pay-as-you-go (PAYG) pension schemes. As the population ages, expenditures on pensions will inevitably rise, while the proportion of the active population (those who contribute to the scheme) decreases in relative terms. It is not by chance that many countries around the world with PAYG schemes have reformed their pension systems to adjust long-term projections of expenditures to acceptable levels (OECD, several years).

In LAC countries, expenditures on social pensions will also rise as a proportion of GDP. As explained above, social pensions contribute to closing the coverage gap left by contributory pensions. As no clear tendency to reduce labour market informality can be observed, it seems unlikely that social pensions will lose their relevance in the foreseeable future. With the population ageing, their costs will also increase.

The declining proportion of the working-age population will also impact countries with fully funded pension schemes with individual accounts, albeit indirectly. Over the next few decades, the growth of the working-age population will slow down, potentially dampening economic growth, impacting asset accumulation, and diminishing future replacement rates of pensions provided by fully funded schemes. While this does not directly affect public finances, it does undermine the adequacy of fully funded contributory pensions and their ability to provide adequate social protection to beneficiaries.

The demographic transition will also increase the population requiring care. If care responsibilities continue to be mainly carried out by women, this could represent an additional obstacle to their participation in the labour market. It will be essential to implement public care policies at scale in the region in the next years and decades.

4.2.   Climate change

The region is already experiencing a perceptible increase in average temperatures (see Figure A3 in the Annex) and the number of climate-related disasters (see Figure A4 in the Annex), which will become even more noticeable in the coming decades. Rising sea levels may have particularly dramatic consequences for the Caribbean (Taylor et al. 2012). Some countries in the region will also face the challenges of transitioning from an economy heavily dependent on fossil fuel exploitation to a green economy, which may be challenging in the short term, as it significantly affects workers with lower formal education and entails more difficulties for requalification.[12] Climate change may also negatively affect the productivity in agriculture (World Bank 2010), which may be critical, especially for small-scale farmers dependent on subsistence agriculture. Finally, climate change is expected to affect the prevalence and incidence of conditions such as child stunting, malaria, and diarrhoea, among others (Jafino et al. 2020).

Jafino et al. (2020) developed scenarios for the impact of climate change on extreme poverty and the channels through which these impacts would occur, with projections for 2030. The authors suggest that extreme poverty in LAC (per capita income less than 1.90 dollars per day PPP) could increase from 1.9 million people in the base scenario (without the effects of climate change) to up to 7.7 million people in a big climate change scenario (see Figure 10).

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12   See, for instance, Carley and Konisky (2020) and Saraji and Streimikiene (2023).

Figure 10. Climate change and poverty headcount in baseline scenario (without climate change) and low and high climate change scenarios (in millions of people) in Latin America and the Caribbean, 2030 estimates
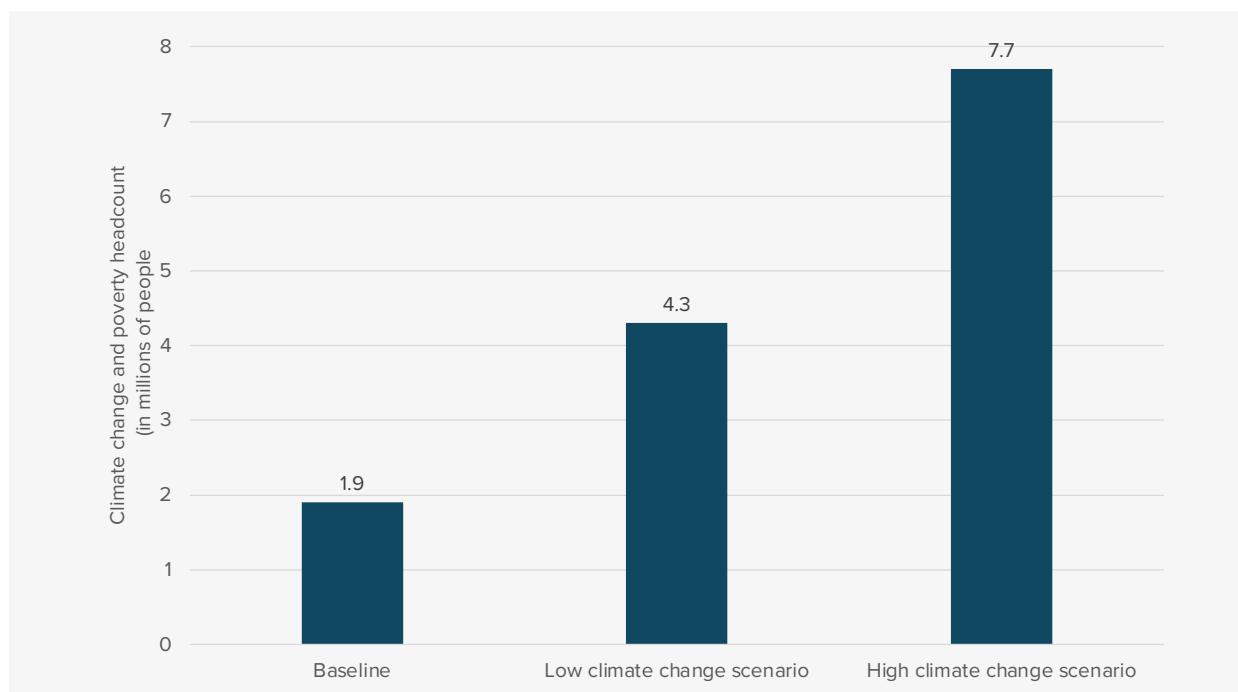
Source: Prepared by the authors based on data from Jafino et al. (2020).

Among the five channels considered by the authors (fall in agriculture revenues, fall in labour productivity, increase in food prices, increase in the number of climate-related disasters, and increase in the prevalence and incidence of health problems), the last two (disasters and health) would account for more than 90% of the rise in extreme poverty caused by climate change in LAC by 2030.

Shocks resulting from extreme climate events, natural disasters and health issues will impact households' livelihood, pushing them into extreme poverty. This poses a significant challenge to social protection systems in the region. Social assistance benefits have indeed contributed to reducing the large coverage gap that social protection systems had in the region and can be considered relevant tools for reducing chronic poverty. However, as mentioned in the previous section, they have not been designed as effective instruments for responding to temporary shocks driven by climate change. On a positive note, they provide an infrastructure that can be adapted to channel the financial resources that support vulnerable populations in the face of climate shocks.

There has been a broad development around adaptive social protection, looking at how existing social protection systems, particularly social assistance mechanisms, can be further

strengthened with climate insurance solutions. Adaptive social protection has primarily been associated with the expected effects of climate-related disasters and received a substantial boost in the last years due to the shock produced by the COVID-19 pandemic. The pandemic and its massive worldwide socioeconomic impact triggered emergency policy responses worldwide (Gentilini 2022; Hammad, Bacil and Veras Soares 2021). Existing social insurance and social assistance programmes expanded both vertically and horizontally; emergency cash transfers were implemented, sometimes achieving unprecedented coverage levels, and new digital tools (including registries and payment mechanisms) were developed. However, the region is far from implementing social protection systems that foster resilience.

In LAC, even countries with social registries or beneficiary registries of limited coverage (see Berner and Van Hemelryck 2021) occasionally achieved high coverage in their emergency cash transfers during the pandemic. For instance, Guatemala, which lacks a national social registry, managed to cover almost 77% of its population with Bono Familia, an emergency cash transfer program (Hammad, Bacil and Veras Soares 2021).

However, such success for countries without a solid social infrastructure was not the norm. The general conclusion from the experiences during the COVID-19 pandemic is instead the opposite: robust ID systems, social registries and payment systems have the potential to make the response to shocks faster and more effective (Gentilini 2022; Hammad, Bacil and Veras Soares 2021).

In essence, effective social protection is the primary and crucial foundation for adaptive social protection. Strong policies, programmes and institutions enable quicker and more comprehensive responses to various shocks. However, a challenge remains: to implement mechanisms and policy designs that permanently enhance the adaptive nature of social protection systems through, for instance, efficient and sustainable financing mechanisms such as climate risk insurance that makes the financial resources available when extreme climate-related events hit the population.

4.3.   Technological change and the future of work

The third structural change happens in the world of work. Several phenomena of the Fourth Industrial Revolution (advances in automation, robotics, and artificial intelligence, for instance) begin to produce perceptible changes that will deepen in the coming years and decades.

Perceptions about which areas will be most affected by these changes, which jobs will likely disappear, and where new opportunities will emerge are somewhat speculative. However, existing information suggests that certain routine occupations are experiencing declining employment and wages, potentially leading to long-term wage stagnation and increased unemployment rates for workers in those professions (World Bank 2019).

New technologies can generate new opportunities and challenges. The rise of the platform economy, for example, has the potential to benefit low-skilled workers, enabling them to sell their products or labour through various apps. However, platform work tends to be more volatile and less protected than traditional employment relationships and, through different mechanisms, may end up reproducing existent gender biases in society.[13]

While the number of platform workers is rising, they still constitute a relatively small portion of the global workforce. Data from Datta and Chen (2023) suggests that platform workers comprise between 4.4% and 12.5% of the global workforce. Estimates for developed countries are typically below 8% (OECD, ILO and European Union 2023). In Latin America, they represent 5.1% of the workforce in Costa Rica (INEC 2022), 2.3% in Chile (Fuentes and González 2022), and 1.7% of workers in the private sector in Brazil (Agência IBGE Notícias 2023).

The potential long-term outcomes of this transformation include increased income inequality, employment volatility, and growing informality, all of which pose significant challenges for social protection. These challenges extend to financing, as traditional employment-based social insurance contributions may erode with greater volatility and informality in the labour market. Moreover, ensuring coverage and adequacy becomes increasingly critical, given that many workers will depend on social assistance programs.

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13   Cook et al. (2018), for instance, suggest that, even in the allegedly neutral environment of the gig economy, relatively large wage gaps may be created by gender-based preferences and constraints. Viollaz (2024) points out that entry barriers (such as access to minimal capital, technology, and digital skills) could explain why the share of women among gig workers is even smaller than in the total labour force in LAC.
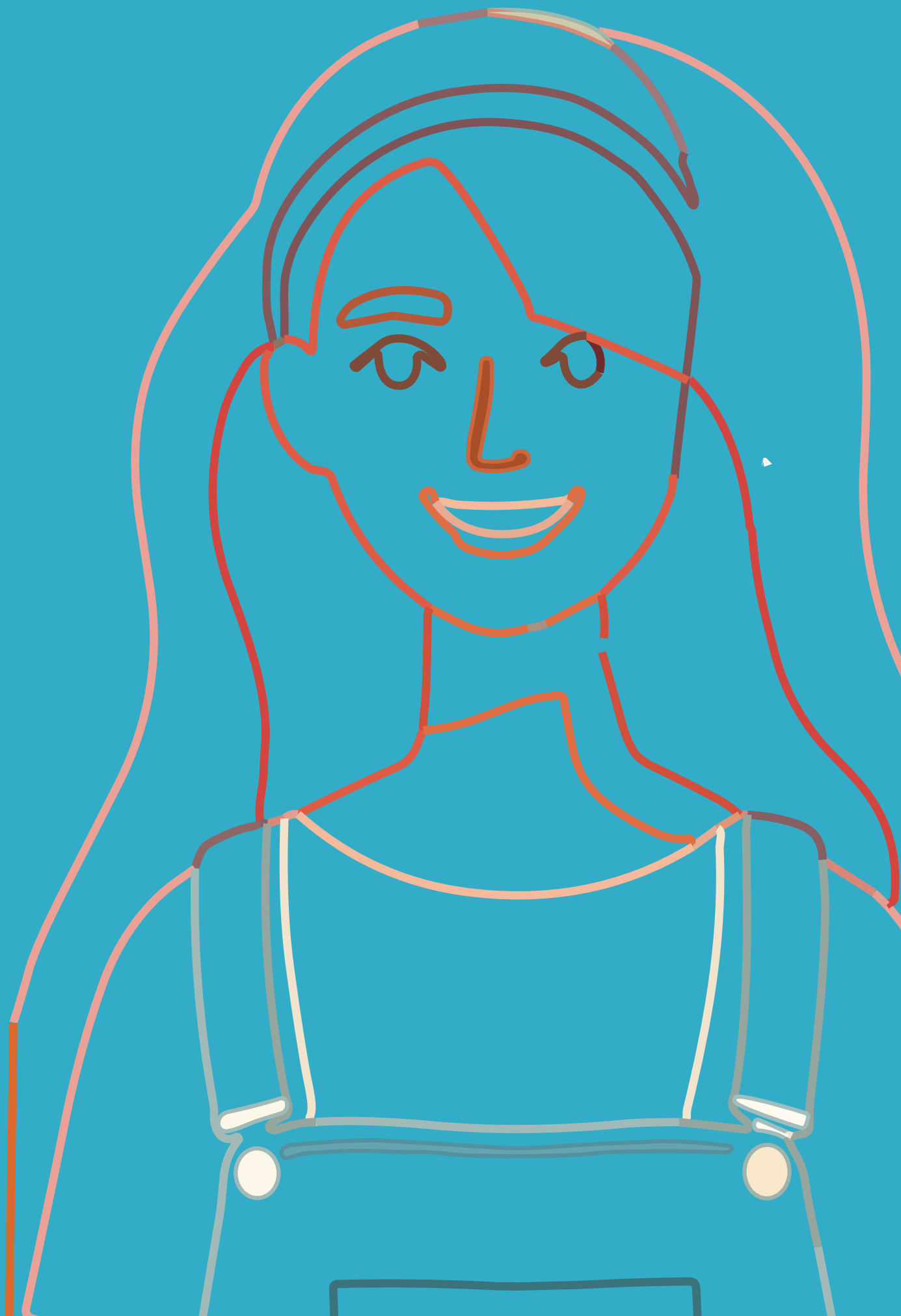
5.
A regional social protection offer for Latin America and the Caribbean[14]

5.1.   Principles

Social protection is defined as a human right in articles 22 and 25 of the Universal Declaration of Human Rights, with emphasis on everyone's dignity and development. UN agencies, each with its mandate, may have different approaches to social protection. Nevertheless, the perspective of social protection as a human right serves as a common ground for them (ILO, FAO and UNICEF 2022).

Universality is a fundamental principle guiding UNDP's regional approach. Ensuring access for all and leaving no one behind underpins our proposals. While achieving universal coverage may pose challenges from a political and economic standpoint in the short term, it remains a crucial goal. Although comprehensive structural reforms to achieve universality may not be feasible for all countries, even incremental changes can contribute to this goal. Therefore, universality is a guiding principle for large-scale reforms and smaller, targeted interventions, which may have a higher likelihood of political success.

Gender equality is a crucial principle for analysing social protection systems, policies, and programmes. It helps identify whether they contribute to the production or reproduction of gender inequalities and guides efforts to make them more gender-responsive. In most LAC countries, this involves examining how social protection systems may unintendedly contribute to maintaining significant gaps in labour market participation and wages, how they may systematically provide lower levels of social protection to women, and how reforms should be undertaken to promote gender equality.[15]

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14   This section is partially based on Paiva and Pardo (2024).

15   This is in line with relevant UNDP documents, such as the "Regional Programme Document for Latin America and the Caribbean (2022–2025)" (UNDP 2021b, p. 15), whose outcome 2 is "Increased inclusion of women and vulnerable groups through meaningful participation and access to assets, services and social protection, leaving no one behind", and the "Regional Gender Equality Strategy 2023–2025 for Latin America and the Caribbean", which supports the development of "gender-sensitive social protection systems, as they enable all people, both women and men, to have effective access to health care and basic services, while promoting employment and income security for all" (UNDP 2023b, p. 18).

Ethnic and urban/rural equality are also relevant principles for this Regional Social Protection Offer. In LAC, Indigenous, Afro-descendant, and rural populations are structurally affected by labour market informality and wage gaps, resulting in lower levels of protection from robust social insurance policies. Analysing the intersections between gender, ethnicity and urban/rural distribution can shed light on specific groups, such as Indigenous or Afro-descendant women living in rural areas, who may experience multiple layers of discrimination and social exclusion. These groups require special attention from social protection systems.

In addition to these general principles, an economic principle should also be considered, namely, achieving a balance between effectiveness, costs, and incentives. Social protection systems must be effective (that is, they must protect individuals and households from the effects of social risks and against poverty and vulnerability and contribute to human development and inclusive growth); their costs should not compromise other relevant social imperatives, and they should avoid creating perverse incentives for individuals and households (not to work or save, for instance). However, specific proposals may address only one of these dimensions (for instance, a pension reform mainly motivated by reducing costs, or a reform of a non-contributory benefit exclusively focused on reducing possible disincentives to work) and not give the appropriate emphasis on their possible impacts on reducing the overall level of social protection, for instance. It is important to emphasise that UNDP should not undertake any analytical work or proposal for intervention in social protection programmes, policies, and systems without considering their possible impacts on all these three dimensions. While national political contexts may emphasise one of these dimensions over the others, this offer advocates for a balanced approach, intending to improve the effectiveness of social protection for the most vulnerable populations.

This economic principle can guide UNDP interventions in tricky contexts (as explored by Paiva and Pardo, 2024). Consider a situation where a national government wants to introduce or expand a targeted old-age social pension. Targeted benefits may be considered incentives to keep workers in informality (Levy 2008). Also, in order to avoid bad incentives, the adoption of a universal old-age pension should preferably be supported. However, universal benefits would have much higher costs and could be considered unaffordable by governments (at least in the short term). Moreover, they will almost certainly be less cost-effective in fighting poverty. Thus, costs would be the main obstacle for governments in adopting a universal old-age pension. What should UNDP advise in such a context? Introducing a targeted old-age pension increases old-age coverage and the social protection of poor and vulnerable older persons (that is, increases the effectiveness of the social protection system), and, although it might generate some disincentives, it may also reduce the fiscal gap between the country's current situation and the situation of universal coverage, rendering the option for universality less difficult. In this case, the support for introducing or expanding the targeted social pension, with the broadest possible coverage, is compatible with a balanced approach between the mentioned dimensions of effectiveness, costs and incentives and with UNPD's approach to social protection.

Although general and economic principles for intervention in the social protection field are essential, it is also worth emphasising that, within UNDP's Global Social Protection Offer, social protection is appropriately defined as "a set of nationally owned policies and instruments" (UNDP 2022). This definition highlights a crucial aspect: within each country's specific context, governments may make decisions that are not necessarily fully aligned with UNDP's (and other multilateral organisations') specific recommendations. This autonomy in decision-making is integral to building a nationally owned system and must be respected and supported.

5.2.   Measuring poverty and vulnerability and enhancing social policy targeting and impact

The Regional Social Protection Offer begins with **measuring poverty and vulnerability**, which is essential both to evaluating the effectiveness of social protection systems and policies and to contributing to driving social protection services and benefits to the beneficiaries.

The Multidimensional Poverty Index (MPI) captures poverty in its different dimensions, in addition to income. The Latin American and the Caribbean region is a pioneer in the development of national measures of multidimensional poverty, with Mexico and Colombia as forerunners worldwide. To date, 12 countries in the region have adopted national MPIs and UNDP has provided support in the process to 9 of them (Box 1).

BOX 1

Multidimensional Poverty Indexes in Latin America and the Caribbean

Since 2010, the United Nations Development Programme (UNDP) and the Oxford Poverty and Human Development Initiative (OPHI), recognizing the multidimensionality of poverty and reaffirming their commitment to the goal of eradicating poverty in all its dimensions, have been estimating the global Multidimensional Poverty Index (MPI), which follows the methodology of Alkire and Foster. The global MPI, first presented in the UNDP Human Development Report in 2010, comprises 10 indicators covering three dimensions: health, education, and living standards.

Since the launch of the global MPI, many countries have adopted national MPIs tailored to their contexts. In LAC, Mexico was the pioneer country with its multidimensional poverty measure launch in December 2009 and its official adoption by the government in 2010. To date, 12 countries in the region have a national MPI. UNDP has assisted in the implementation of 9 of them (mentioned in italics in the following list): Mexico, Colombia, *Costa Rica*, Chile, *El Salvador*, *Honduras*, *Ecuador*, *Panama*, *Dominican Republic*, *Guatemala*, *Paraguay*, and *Belize*. Currently, UNDP is supporting the design and implementation of a national MPI in Uruguay, Cuba, and Peru.

In the region, national MPIs have been used as policy instruments for different purposes, such as policy design, monitoring public policy and targeting. Some examples include:

Costa Rica: This country created a governmental commission to incorporate the MPI as an official variable for budget allocation, monitoring, and evaluation of social programs.

Oaxaca, Mexico: Based on the results of multidimensional poverty, the government of Oaxaca designed a planning instrument to coordinate actions and target the policy at the municipal level.

Colombia: The Statistics National Department designed a tool for crafting the government's

Countries that adopted national Multidimensional Poverty Indexes in Latin America and the Caribbean, and year of adoption

Source: UNPD.

responses to COVID-19, based on the Census MPI and complementary administrative registries georeferenced at the block level. Thus, the tool provides multi-layer risk maps to identify the most vulnerable population.

Honduras: The government, with support from OPHI and UNDP, designed a Multidimensional Vulnerability Index (MVI) as a targeting mechanism to deliver a cash transfer program intended to assist independent workers and self-employed persons affected by the pandemic.

Cuba: The Social and Labour Observatory of the Ministry of Labour and Social Security is designing a MVI at the community and household level to target the most vulnerable populations.

Panama: To complement the national MPI, Panama designed an MPI for boys, girls and adolescents.

Countries that have developed a national MPI use it for many purposes, such as monitoring poverty trends, evaluating poverty reduction policies, national planning, intra-government coordination across ministries, budget allocation and policy formulation. In terms of social protection, in addition to being a tool for targeting, it can allow setting a baseline for monitoring and evaluation of the impact of interventions. It can adapt, with a great degree of granularity, to specific population needs. MPIs can be extracted and combined with other data sources to tailor policy responses to different situations. For example, georeferencing allows one to overlay the multidimensional poverty map with others, such as those identifying multi-hazard risks or areas of high criminality. This contributes to the design of more relevant and tailored interventions.

The UNDP's Regional Hub in Panama developed a methodology for an MPI with a gender perspective. The proposed index is composed of dimensions and indicators that portray the multiple disadvantages that women and girls face during their life cycle, and that limit their well-being and development. This tool not only responds to the commitment of the Member States of the United Nations to mainstream gender in all areas but also serves the purpose of designing evidence-based public policies to eradicate multidimensional poverty in compliance with the principle of "leaving no one behind" (Box 2).

BOX 2

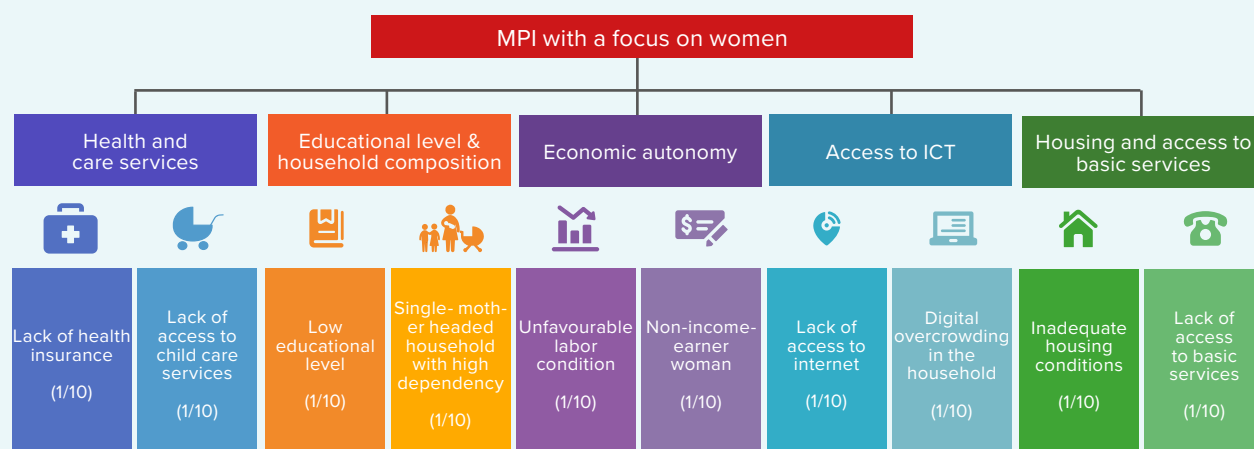# Multidimensional Poverty Index with focus on women for Latin America and the Caribbean

To examine women's poverty and its specificities, the UNDP's Regional Hub developed a Multidimensional Poverty Index (MPI) with focus on women in Latin America and the Caribbean (LAC). This initiative generated results for 10 countries: Bolivia, Chile, Colombia, Costa Rica, El Salvador, Honduras, Mexico, Panama, Dominican Republic, and Uruguay.

The MPI with focus on women was designed using the Alkire and Foster method. In the first stage, a literature review and an analysis of the underlying causes of female poverty in LAC were undertaken to identify the main dimensions to be considered. Based on the central findings, an "ideal" or first-best option for an MPI focused on women was developed around five dimensions: health and violence; education and access to information and communication technologies (ICTs); work; housing and access to essential services, and economic rights and participation. This first-best option assumes the availability of all the information needed to measure the different aspects of female poverty through 21 proposed indicators.

In the second stage, a feasible MPI was proposed, considering the availability and comparability of the information across the 10 countries of study. As a result, the feasible MPI that constitutes UNDP's proposal considers only women over 18 years of age and is composed of 10 indicators and five dimensions: i) health and care services; ii) education and household composition; iii) economic autonomy; iv) access to ICTs, and v) housing and access to essential services.

This proposal for a Multidimensional Poverty Index with focus on women seeks to draw attention to the need for specific information and analysis that allow measuring poverty from a gender perspective. A more precise analysis of multidimensional poverty to see how it affects women in all its diversity is essential to address their specific needs, identify the systemic and structural obstacles that prevent them from escaping poverty, and formulate recommendations for gender-transformative policies.

Multidimensional Poverty Index with focus on women: dimensions and indicators

MPI with a focus on women				
Health and care services	Educational level & household composition	Economic autonomy	Access to ICT	Housing and access to basic services
Lack of health insurance (1/10)	Low educational level (1/10)	Unfavourable labor condition (1/10)	Lack of access to internet (1/10)	Inadequate housing conditions (1/10)
Lack of access to child care services (1/10)	Single-mother headed household with high dependency (1/10)	Non-income-earner woman (1/10)	Digital overcrowding in the household (1/10)	Lack of access to basic services (1/10)

Source: M. Madrigal, M. Álvarez, D. de los Santos, and R. Pardo, "Multidimensional Poverty Index with a Focus on Women: A Proposal for Latin America and the Caribbean", New York, United Nations Development Programme (UNDP), 2023, p. 4.

Multidimensional Vulnerability Indexes (MVI), like MPIs, can also work as targeting instruments as they identify people living in multidimensionally vulnerable households, so the selection of individuals will depend on their levels of vulnerability and those of the household where they live. The index includes indicators that capture specific vulnerabilities for household members, such as housing structural vulnerabilities or employment vulnerabilities. The type of dimensions and variables selected to be included in the index will depend on the type of vulnerabilities to be measured.

To sum up, UNDP can assist countries in the region in the development of MPIs and MVIs at the national and local levels, for the total population or specific groups; support the process of adopting MPIs and MVIs as policy tools (for instance, as a targeting mechanism for social policies), and support the development of monetary poverty measures.

5.3.   Overcoming stratification: piecemeal reforms towards universal and coherent social protection systems in LAC

5.3.1.   Analysis and evaluation of social protection systems, policies and programmes

The Regional Social Protection Offer also covers services for analysing and evaluating social protection programmes, policies, and systems, as well as the functioning of the labour market and employment and productive inclusion policies. Successful recent experiences and projects about to be deployed can exemplify some of the services that UNDP can offer governments in the region.

This analytical work can operate at both macro and micro levels, encompassing evaluations of entire social protection systems and specific policies, programs, or interventions. For instance, in Guatemala and Barbados, UNDP, in collaboration with other UN agencies, conducted comprehensive mappings of the social protection systems and assessed their performance using the Core Diagnostic Instrument (CODI), an Inter-Agency Social Protection Assessment (ISPA) tool. This approach allows for a nuanced understanding of the strengths and weaknesses of social protection systems (Box 3).

BOX 3

Fostering resilience: evaluating social protection systems with the Core Diagnostic Instrument and promoting their integration with disaster risk components in Barbados and Saint Lucia

The United Nations Development Programme (UNDP) plays a pivotal role in supporting countries in strengthening their social protection systems, particularly in the context of disaster risk management. In collaboration with the International Labour Organization (ILO), the UNDP Barbados and the Eastern Caribbean Multi-Country Office have been instrumental in implementing the Core Diagnostic Instrument (CODI) disaster risk components to assess social protection systems in Barbados and Saint Lucia.

The CODI initiative is designed to comprehensively evaluate existing social protection mechanisms, identifying gaps and areas for improvement. By incorporating disaster risk components, CODI ensures that social protection systems are robust, inclusive and resilient to the impacts of natural disasters. This is particularly crucial for Caribbean nations like Barbados and Saint Lucia, which are highly vulnerable to climate-related hazards such as hurricanes and floods. UNDP's involvement in this initiative underscores its commitment to building resilient communities and supporting sustainable development. The diagnostic process is highly relevant for governments, providing critical insights into how social protection systems can be enhanced to withstand and respond better to disasters. For instance, the assessment helps identify weaknesses in existing frameworks and provides actionable recommendations for strengthening disaster-responsive social protection measures.

The collaboration between UNDP and ILO in this exercise exemplifies effective inter-agency cooperation, leveraging the strengths and expertise of both organizations. While ILO led the exercise, UNDP provided essential support, particularly in integrating disaster risk considerations into the diagnostic. This partnership enriched the diagnostic process and reinforced the importance of a multidisciplinary approach to social protection. For the governments of Barbados and Saint Lucia, the CODI initiative is of paramount importance. It positions UNDP as a vital partner in discussions on social protection policies, particularly in the context of disaster risk management. The insights and recommendations derived from the diagnostic enable these governments to formulate more resilient and inclusive social protection strategies, ultimately enhancing their capacity to protect vulnerable populations in times of crisis.

In conclusion, UNDP's role in supporting the implementation of the CODI initiative disaster risk components highlights its dedication to fostering resilient social protection systems. Through strategic collaboration with the ILO and other partners, UNDP continues to play a crucial role in advancing sustainable development and ensuring that social protection systems are equipped to address the multifaceted challenges of natural disasters.

The document "Core Diagnostic Instrument (CODI) Analysis", presented in August 2022 by the ILO Decent Work Team and the Office for the Caribbean, with UNDP Barbados and the Eastern Caribbean, can be accessed at www.jointsdgfund.org/sites/default/files/2022-07/CODI%20Barbados%20Final%5B2%5D.pdf

The UNDP in LAC also produces tailored studies that evaluate specific components of social protection systems and offer policy recommendations. One of these components is conditional or unconditional cash transfer programmes. These analyses may include comparative studies, proposals for policy and programme design (including ex-ante evaluations of their impact on poverty and inequality using microsimulations), cost estimations, and advocacy for policy changes and reforms.

In Brazil, for instance, the Regional Hub and the Country Office assessed the family benefit (*benefício extraordinário*), one of the components of the Bolsa Família Programme, and its possible impacts on how beneficiary families register their members in the social registry. This study also evaluated the replacement of the family benefit (which pays a flat benefit per family regardless of their composition) with a per capita benefit design, with the same overall budget, and its impact on extreme child poverty (Box 4).

Microsimulation changes in Brazil's Bolsa Família Programme

The adoption of an emergency cash transfer (Auxílio Emergencial) by the Brazilian Government during the COVID-19 pandemic left significant marks on the country's social policy. The first legacy is a much larger budget for the regular conditional cash transfer program (Bolsa Família), which experienced an increase from 0.4% of GDP before the pandemic to 1.6% of GDP in 2023.

The second legacy is related to the design of the Auxílio Emergencial benefit. Approved in 2020, renewed with various changes throughout the pandemic, and partially incorporated as a new benefit of Bolsa Família (family benefit or *benefício extraordinário*), this benefit had a single value per household, regardless of its size (number of members). It is believed that this design led members of the same household to register in the country's social registry (Cadastro Único) as if they were independent households to maximise the benefits received. This could explain the significant increase in single-person households registered in the Cadastro Único in recent years.

At the request of the Country Office and the Brazilian Government, the Regional Hub conducted a study to simulate the strategic behaviour of potential beneficiaries and accurately evaluate the possible budgetary impacts and effects on poverty reduction (especially child poverty) of changes in the benefit design.

Several changes in the benefit design were microsimulated. One of these was to transform the benefit paid per household into a per capita benefit, maintaining the same overall budget –a change expected to result in a significant reduction in child poverty. The Brazilian Government itself suggested another change: the creation of a special benefit for children aged 0 to 6 years. This benefit, evaluated by the UNDP report, would result in a reduction of 1 million extremely poor people, including 600 thousand children up to 15 years old.

The report concluded that the design of the Bolsa Família program benefits should be more sensitive to family size and childhood. The change suggested by the Government and evaluated by the UNDP report was eventually adopted.

The study "Bolsa família: microsimulation of the Auxílio Brasil extraordinary benefit of BRL 600 per household and alternatives" can be accessed at www.undp.org/pt/brazil/publications/bolsa-familia-microsimulation-auxilio-brasil-extraordinary-benefit-brl-600-household-and-alternatives.

Another example of the evaluation of cash transfers is Costa Rica, where the Regional Hub and the Country Office assessed the contribution of cash transfer benefits paid by the National Institute for Social Welfare (*Instituto Mixto de Ayuda Social* – IMAS) to reducing poverty and inequality in the country, in a comparative analysis that considered other government transfers and other similar programmes in the region. In this study, the introduction of a guaranteed minimum income benefit in Costa Rica and its impact on extreme poverty and inequality were also evaluated using microsimulations (Box 5).

BOX 5

Evaluating the impact of benefits paid by the National Institute for Social Welfare in Costa Rica and possible reforms

At the request of the National Institute for Social Welfare (IMAS) and the Ministry of Human Development and Social Inclusion, the Country Office in Costa Rica and the UNDP's Regional Hub developed a series of reports to evaluate the efficiency and effectiveness of social benefits paid by the Institute in reducing poverty and inequality. Based on microsimulations, these reports also sought to assess the potential and limits of changes in the benefits paid by IMAS, their efficiency in protecting the population against inflationary shocks, and the possible effects of introducing new social benefits.

The reports aimed to evaluate the impact of IMAS benefits on reducing poverty and inequality in Costa Rica, especially for population groups most affected by poverty (such as children, people living in female-headed households, and residents of specific regions of the country). They also assessed the possible impacts on poverty and inequality indicators of various changes in these benefits (such as expanding the number of beneficiaries, increasing their value, or creating an additional complementary benefit).

Benefits paid by IMAS were found to be the most efficient instrument to fight extreme poverty and protect the poor against inflation shocks in Costa Rica. Modest improvements could come from rearrangements in budget neutrality scenarios, but the budget expansion associated with minor improvements in targeting could lead to substantial extreme poverty reduction.

These reports have contributed to strengthening the people-centred constructive relationship between UNDP and IMAS and provided IMAS with relevant information about the effectiveness of its benefits and the potential impact and costs of specific changes.

As mentioned in the economic principles, the dimensions of costs and incentives were also analysed in these studies and recommendations followed the balanced approach presented earlier.

Another component of social protection systems for which UNDP LAC may produce the same kind of analytical work (comparative studies, proposals for policy and programme design including *ex-ante* evaluations of their impact on poverty and inequality using microsimulations, cost estimations, and advocacy for policy changes and reforms) are social pensions. In Honduras, which has one of the lowest old-age pension coverage in the region, the UNPD's Regional Hub performed microsimulations based on data from the Permanent Household Survey to suggest possible impacts of introducing a social pension on coverage, inequality, and poverty reduction among older people (Box 6).

BOX 6

The adoption of an old-age social pension in Honduras: impacts on coverage, poverty, and inequality

Honduras currently has one of the lowest rates of old-age coverage through social protection programmes. Less than 1 in 10 Hondurans aged 65 or more receives a contributory pension, and the country has yet to establish a non-contributory pension scheme. In addition to low coverage, contributory pensions predominantly benefit men over women and fail to reach those in the lower half of the income distribution. Many older persons who do not receive a pension continue working or rely on their families for financial support.

To address this situation, the Secretariat of Social Development (SEDESOL) of Honduras approached UNDP to evaluate the potential impacts of introducing an old-age social pension, aiming to expand social protection coverage and mitigate poverty and inequality.

Social pensions, prevalent in numerous countries across Latin America and the Caribbean (LAC), enhance social protection for vulnerable groups such as older persons and persons with disabilities. They are crucial for older women, who often have less access to contributory pensions than men.

Based on microsimulations, the study by the UNDP's Regional Hub evaluated various benefit designs and found that even a modestly implemented old-age social pension could reduce extreme poverty among older persons by up to 7 percentage points and extend coverage to as much as 50% of the population aged 65 and above.
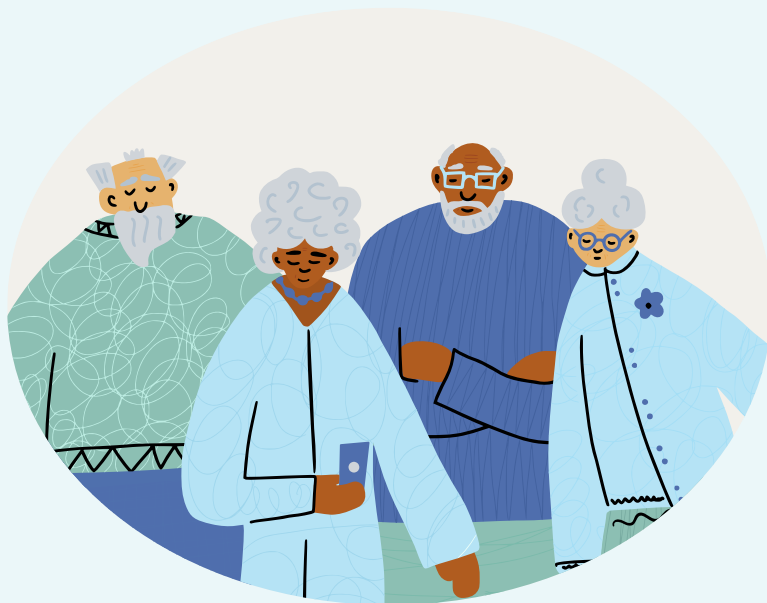
At the time this report is published, the Government of Honduras is evaluating the design to be adopted by the social pension system for older persons in the country. The study produced by UNDP is considered a relevant input for defining the scenario that best suits the country's needs.

The study "Informe sobre la evaluación ex ante de la adopción de una pensión no contributiva para adultos mayores en Honduras" can be accessed at: www.undp.org/sites/g/files/zskgke326/files/2024-07/PNUD-HN-Informe%20Pensi%C3%B3n%20no%20Contributiva%20para%20Adultos%20Mayores-2024%20Abril.pdf.

A study by the Regional Hub and the Country Office in Guatemala (see Box 7) examined the impact of the demographic changes the country will go through over the next three decades on old-age pension coverage and advocated for an expansion of non-contributory social pensions. Additionally, the study assessed the potential effects of these demographic changes on employment indicators and economic growth.

Regarding employment policies, UNDP LAC can offer advocacy services, development of comparative studies and proposals for policy and programme design. In Guatemala, based on data from the Labour Force Survey (*Encuesta Nacional de Empleo e Ingresos*), the UNDP's Regional Hub and the Country Office developed a study analysing labour market indicators over 10 years, and provided recommendations for employment policies aimed at enhancing labour productivity and reducing gender, ethnic and urban/rural employment gaps in the country.

BOX 7

Analysing the Guatemalan labour market and active labour market policies

Economic growth in Guatemala has been one of the highest in the region over the past decade, yet labour productivity growth has been one of the lowest. This paradox serves as the starting point for a report developed by the Regional and Country Offices of UNDP, which examines the Guatemalan labour market over an 11-year period characterized by low unemployment rates, high and stable informality, increasing migration, and deep, persistent gender, ethnic, and rural/urban gaps. The report also evaluates the structure of active labour market policies in the country, highlighting that limited coordination and scale hinder their potential positive impacts.

Considering the demographic evolution projected for the next 30 years, which positions Guatemala with one of the longest demographic dividends in the region, the report forecasts future levels of participation, employment, informality in the labour market, and economic growth. The assessment indicates that if low productivity growth and the significant gap in labour market participation rates between men and women remain unchanged, Guatemala's GDP in 2050 will grow at a much lower rate than currently observed. Economic growth could be significantly improved if labour market policies succeed in reducing the participation gap between men and women and increasing labour productivity growth to the average regional levels.

Evaluations of active employment policies implemented in the region, that will be compiled by the Inclusive Growth Tracker, enabled the report to make several recommendations for vocational training policies, public employment services, policies to increase formality, and proposals for institutional advancements. Recommendations include focusing on youth, women, Indigenous people, and rural workers, scaling up active labour market policies, improving the Government's execution capacity (including labour and social security inspection services), designing monitoring systems, and strengthening key government institutions.

The report also advocates for better interinstitutional coordination to strengthen active labour market policies. It has been considered a relevant tool for reinforcing the strong relationship between the UNDP Country Office and the national Government of Guatemala, and it has been taken into account in the reorganisation of employment policies by the Ministry of Labor and Social Security.
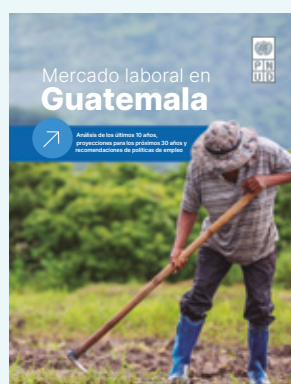
The report "*Mercado laboral en Guatemala. Análisis de los últimos 10 años, proyecciones para los próximos 30 años y recomendaciones de políticas de empleo*" can be accessed at www.undp.org/es/guatemala/publicaciones/mercado-laboral-en-guatemala-analisis-de-los-ultimos-10-anos-proyecciones-para-los-proximos-30-anos-y-recomendaciones-de

Still on employment policies, an initiative from the Regional Hub is the Inclusive Growth Tracker, which will involve a meta-analysis of dozens of impact evaluations of active labour market policies. This initiative, to be launched in 2025, will provide countries in the region with reliable information on the effectiveness of these policies, highlighting what works and what does not.

5.3.2. Social infrastructure (social registries and payment systems)

UNDP can also support countries in the region in developing their social infrastructure (social registries and payment systems). This includes services such as the advocacy for the adoption or improvement of social registries, development of comparative studies, analysis of questionnaires and digital solutions for social registries and payment systems, global support to the development, implementation or expansion of social registries and payment systems, and support to enhanced interoperability between social registries and other administrative registries.

While UNDP advocates for the widespread adoption of digital solutions, which also applies to social protection,[16] in LAC the focus should be on enhancing public infrastructure. This means prioritizing the use of technology to improve data quality and reduce unnecessary demands from potential beneficiaries rather than implementing solutions that require advanced digital skills from them. Many social protection policies serve vulnerable and poor individuals, and digitisation should aim to simplify their access to these policies rather than creating additional barriers to those they already face. Therefore, emphasis on digitisation and the defence of a comprehensive network of in-person assistance for potential beneficiaries of social policies are complementary, rather than contradictory, in the social protection field in LAC.

UNDP has been supporting several governments in developing and reforming their social infrastructure, especially social registries. The Country Office in Guatemala (jointly with other UN agencies) deployed a pilot of a social registry (*Registro Social de Hogares*) in seven country municipalities and is currently working with the Ministry of Social Development to scale the pilot. The UNDP Multi-country Office in Trinidad and Tobago is working with the Ministry of Social Development and Family Services to build the National Register of Vulnerable Persons, the first social registry in the country (see Box 8).

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16   UNDP (2022) considers digitisation one of the core enablers for the development of social protection systems.

Building a social register of vulnerable persons in Trinidad and Tobago

Trinidad and Tobago does not have a unified social registry. Its various social programs, administered by different government ministries, have their own beneficiary registers and lists, often not digitised, which creates significant operational difficulties for their execution and limits coordination between these programs.

At the request of the Ministry of Social Development and Family Services, and with their close supervision, the Multi-country Office is developing the National Register of Vulnerable Persons (NRVP). This work involves developing the technological solution that will support the NRVP, the questionnaire for collecting information from vulnerable families and households, and the Multidimensional Vulnerability Index (MVI) that will

be automatically computed by the Register. This index will allow the various programs using the Register to select their beneficiaries based on their levels of vulnerability. The development project also includes a pilot initiative for data collection and entry into the NRVP to test its functionalities.

The implementation of the NRVP, under the Government of Trinidad and Tobago's responsibility, is one of the steps being used to structure the country's social policies into a coordinated social protection system. It will also allow information on potential beneficiaries to be cross-checked with data from other government administrative registers, which has the potential to improve the effectiveness of social interventions in the country.

Country Offices in Brazil and Peru (Box 9) have also supported Government counterparts in enhancing the interoperability of their social registries in projects financed by the Poverty and Inequality Funding Windows. Ecuador, with the same funding, will introduce new digital components to its social registry that will improve its management capabilities.

BOX 9

Contributing to a more cohesive social protection system: the Social Information Exchange Mechanism (MIIS) in Peru

In Peru, as in other countries in Latin America and the Caribbesn, establishing a comprehensive social protection system is still challenging. Among other aspects, it is crucial to strengthen the targeting mechanism, allowing for better identification of beneficiaries of social programs and policies and promoting the closure of current coverage gaps.

To improve the targeting of social programmes and initiatives, the Ministry of Social Development and Inclusion (MIDIS) has been implementing improvements to the National Targeting System (SINAFO). In this regard, it has initiated an ambitious reform process through the creation of the Specialized Technical Body for Social Targeting and Information (*Organismo de Focalización e Información Social*, OFIS), an entity affiliated to MIDIS, with technical and budgetary autonomy, which will be responsible for managing SINAFO, as well as overseeing the Social Information Exchange Mechanism (MIIS), a digital platform comprising various databases, registries, and standardised procedures for the interoperability, integration, access, and exchange of data and provision of real-time information between public entities.

In this context, with the support of UNDP's Poverty and Inequality Funding Windows 2024, the UNDP Country Office in Peru will lead the development of the necessary regulations for the functioning of MIIS, build a data integration module based on three information sources from different sectors, and propose policy recommendations for incorporating a gender perspective in its implementation. These products constitute important enablers for the execution of the investment project that the Peruvian State, under the leadership of MIDIS, has been negotiating with the World Bank. Implementation is expected for 2025 to modernise OFIS' tools and information systems, aiming to improve the identification of the target population of all public social policy interventions, in regular and emergency contexts.

The products will be developed under the guidance of MIDIS, supporting the strengthening of its institutional capacities and contributing to better management, standardisation, integration, and interoperability of the databases, and gradually, real-time information exchange to enhance access and improvement of social programs and public services, so that citizens, particularly women and vulnerable groups, achieve higher levels of well-being and capacity to face present and future challenges.

It is expected that the pilot process of integration will incorporate the payroll databases managed by the Ministry of Labor and Employment Promotion (MTPE), nominal databases of the National Registry of Identification and Civil Status (RENIEC), as well as administrative data from MIDIS itself, to create conditions for the improvement of programs aimed at strengthening employability, and promoting formality and social programs, thereby contributing to a stronger and more cohesive social protection system in the country.

It is also important to mention the possible services related to social insurance policies. UNDP can support parametric pension reforms aimed at adapting pay-as-you-go pension schemes to upcoming demographic transitions. This support may include advocacy, the development of comparative studies, proposals for policy and program design, and *ex-ante* evaluations of the reform's impact on poverty and inequality using microsimulations. However, in LAC, it seems

important for UNDP to discuss pension reforms in partnership with other multilateral institutions (such as ILO, the World Bank and the Inter-American Development Bank (IADB)) that have stronger technical resources and are well positioned in these issues.

5.4.   Care policies and services and social policy design with gender perspective

It is worth mentioning benefits and services directly connected with gender equality. Current maternity benefits should be examined from the perspective of gender equality, one of the principles of this offer. Its transformation into a parental leave/benefit with a minimum period reserved for each parent is a design that can contribute to a better distribution of care work within households.

Similarly, the provision of care services is crucial from both social protection and gender perspectives, broadening the discourse beyond issues of formal and informal employment to include labour market participation. Publicly funded care services are essential for increasing women's participation in the labour market and reducing their disproportionate burden of unpaid caregiving responsibilities. Additionally, as many countries in the region undergo rapid demographic changes, the demand for public care services for older persons is expected to rise. Well-designed quality care services are pivotal for advancing gender equality and may offer more sustainable solutions in the long term compared to social security measures, such as lower statutory pension ages for women, which remain prevalent in many LAC countries.[17]

Parental leave and care services can impact not only the distribution of caregiving responsibilities within households and women's labour force participation but also wage differentials between genders. Until such measures yield their desired effects, social protection systems in the region may consider maintaining or incorporating other compensatory measures, such as recognizing unpaid caregiving work to fulfil pension contribution requirements.[18]

Services of advocacy, development of knowledge products and conceptual definition, capacity building, policy design, and cost estimation may be offered by UNDP to LAC countries regarding parental benefits and care services. The UNDP's Regional Hub also makes available to countries in the region the Care Georeferencing Tool, which can contribute to improving the planning and delivery of care services (Box 10).[19]

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17   For a common agenda of UN agencies on care systems, see United Nations (2024). This document provides a framework for UN agencies to address care in the context of the Sustainable Development Goals (SDGs) and promote comprehensive care systems that facilitate gender equality and social justice. It also provides policy options to support the transformation of care systems.

18   Other specific social protection services and benefits should be considered for survivors of gender-based violence to protect their physical integrity and promote their economic autonomy. Specific benefits such as cash transfers, housing policies, and employment and educational policies must be worked on alongside strengthening care and prevention services.

19   See De los Santos (2022).

BOX 10

Support to the development of care policies and services

The UNDP's Regional Hub has been supporting Country Offices and governments in the region in analysing policies and programmes to build comprehensive care systems at the national and local levels. The activities of support include:

i) *Supporting the conceptual definition of comprehensive care systems* at the country level and creating inter-institutional care dialogues (national and local). For example, UNDP Peru, with the support of the Regional Gender Team, contributed to the elaboration of a conceptual framework on care, the first official document that analyses care from a gender perspective and provides the main conceptual and normative aspects related to these activities.

ii) *Technical assistance in governance, national and local regulations for comprehensive care* systems and alignment with other policies. For example, UNDP Panama developed an analysis and identification of actions to establish a national care policy.

iii) *Development of knowledge products.* At the regional level, in collaboration with the International Labour Organization (ILO), UN Women and the Economic Commission for Latin America and the Caribbean (ECLAC), the Gender Team launched a report on community care in Latin America and the Caribbean.

iv) *Technical assistance in the mapping and analysis of the supply and demand of care* through the costing and georeferencing of care services tools.

- **Care Georeferencing Tool:** Creating maps about the supply and potential demand of care is key to the diagnostic processes for creating comprehensive care policies and systems at the national and local levels. The tool is used to systematise and generate updated and real-time information on the supply of care on a specific territory; study the territorial distribution of the population that needs or may need care, such as children, people with disabilities or older persons, and analyse whether the supply of care is sufficient to meet the care demands of the population in that territory. It combines traditional urban and gender analysis approaches with innovative methodologies based on scraping, data mining and collaborative mapping, which provide valuable information in data-scarce scenarios. The UNDP's Regional Hub has implemented this tool in four countries in the region.

- **Care services costing tool:** Developed in collaboration with ILO, the purpose is to provide a relatively simple tool (in Excel) to develop and explore different scenarios of care services and transfers with different levels of coverage in Latin American and the Caribbean countries. This tool estimates the potential cost of implementing services and transfer programs for early childhood care and other dependent care populations. It can also be adapted to other vulnerable populations. In partnership with ILO, UNDP has implemented this tool in five countries in the region.

- **Capacity building in social organisation of care and comprehensive care systems.** In collaboration with ILO, UN Women and ECLAC, UNDP has organised five cohorts of a virtual course on comprehensive care systems with more than 600 participants from governments, civil society organizations, and academia.
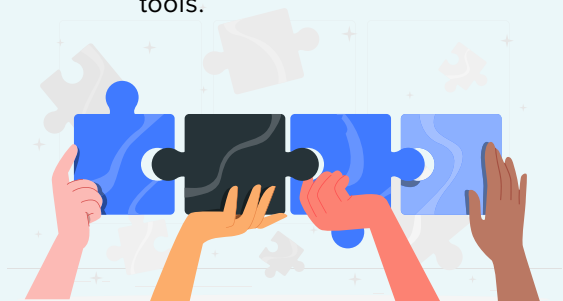
5.5.   Embedding resilience as a policy objective

As previously mentioned in this offer, social protection was built around the concept of social risks, which may be associated with social/economic, idiosyncratic/covariate shocks (a job injury, a disease, or unemployment due to an economic crisis, for instance). In other words, it would be fair to say that social protection has always been "adaptive" or "shock responsive".

What is new in the claims for social protection to become more adaptive or shock-responsive is the association between poor and vulnerable persons and shocks, and the projections of an increasing frequency of a specific kind of shocks – climate-related shocks.

Adaptive social protection is a concept that integrates social protection policies with two other key policy areas closely linked to climate change: climate change adaptation and disaster risk reduction. In this context, social protection must align its tools and policies to enhance preparedness for and response to climate-related disasters, contributing to reducing climate-related vulnerabilities, absorbing shocks, and improving resilience and recovery from such events. An increasing number of international frameworks are advocating for the potential role of social protection in disaster risk reduction and climate change adaptation (Malerba 2021).

Currently, in LAC dual social protection systems, the poor and vulnerable receive social assistance benefits and services, which (as also previously mentioned) tend to be effective in reducing permanent poverty among children, older people, and persons with disabilities but are imperfect tools for addressing transitory, shock-related poverty. Those in the missing middle, who are not covered by social insurance, often do not have access to social assistance benefits in case of shocks. The perception that non-contributory social protection must also be shock-responsive is relatively new and has several implications, including changes in how individuals and households become eligible.

On the other hand, the increasing frequency of climate-related shocks will affect the lives of many individuals and households, especially those in vulnerable conditions. Shocks will push them into poverty, and projections indicate that extreme poverty can be much higher by 2030 in LAC in scenarios where climate change is more severe (see Figure 10). Enhanced social protection policies and tools can contribute not only to preventing poverty from rising but also, in coordination with other government agencies responsible for disaster risk reduction and climate change adaptation, help countries prepare against climate-related shocks.

A critical element in improving the shock-responsiveness of social protection systems is making their benefits and services more dynamic or flexible, protecting individuals and households from structural/permanent poverty and shock-related transitory poverty. There have been calls for cash transfer programmes to adopt greater flexibility, allowing for "frequent entry and exit of beneficiaries" (IADB 2021) or "dynamic entry into and exit from social protection programmes" (World Bank 2022). However, there have been concerns that cash transfers cannot be the sole

programme against all the many risks that poor and vulnerable individuals and households will face over their life cycle. Ideally, the social protection infrastructure, including social registries and payment systems, should be capable of protecting all citizens through specific contributory and non-contributory programmes triggered by shocks. Regarding benefits, the UNDP in LAC can offer advocacy services, proposals of policy and programme design, ex-ante evaluation of the possible impacts of new emergency programmes on poverty and cost estimation.

A second critical element is financing. Countries in the region can allocate financial resources to respond to climate-related shocks. This will be crucial in particular for many countries (especially in the Caribbean and Central America) which are highly exposed to climate events. Here, the adoption of insurance solutions that can make financial resources available to support livelihoods and recovery in the face of climate events will guarantee more certainty in the financing of social protection. Through its Insurance & Risk Finance Facility, UNDP can support countries in the region to develop insurance risk financing strategies along with climate risk modelling and the development and delivery of insurance solutions in partnership with the global insurance industry, contributing to dealing with the potentially massive effects of climate-related disasters in social protection systems (see Box 11).

BOX 11

Making social protection more adaptive with the use of parametric insurance against disasters

Various disaster scenarios, such as those associated with climate change, disproportionately affect vulnerable populations with higher risks and limited access to financial resources for recovery. Severe weather events caused by floods, droughts, and hurricanes displace communities and affect families' livelihoods.

Social protection systems can evolve to integrate disaster risk management to assist individuals and families affected by disasters. The use of cash transfers to beneficiaries and affected individuals in social programs has proven to be an effective mechanism for responding to and supporting the economic recovery of those affected by disasters. However, there is a high dependence on financing mechanisms based on public budgets, official development assistance, and loans.

Parametric insurance represents an innovative approach providing payouts based on predetermined parameters or triggers linked to climate events. Unlike traditional insurance, which involves lengthy claims processes, parametric insurance ensures prompt, predefined payouts once a triggering event occurs. For example, if a hurricane of a specific category hits a designated area, funds are automatically disbursed by the insurance company. This rapid economic response capability is crucial immediately following disasters, offering essential financial support to kick-start recovery efforts without delay.

Parametric insurance enables governments, organizations, and individuals within the social protection system to receive timely financial assistance, enhancing their ability to cope with and recover from disasters. Integrating insurance solutions into social protection programs involves transferring financial risks to private sector partners by designing and implementing insurance programs based on social registries, payment systems, geographical locations, and the selection of risks to be covered. This mechanism allows social protection programs to finance disaster risks by combining existing social protection structures with climate insurance coverage. Thus, in a disaster, the financial responsibility does not solely burden the public budget.

The solution: integrating climate insurance to social protection mechanisms
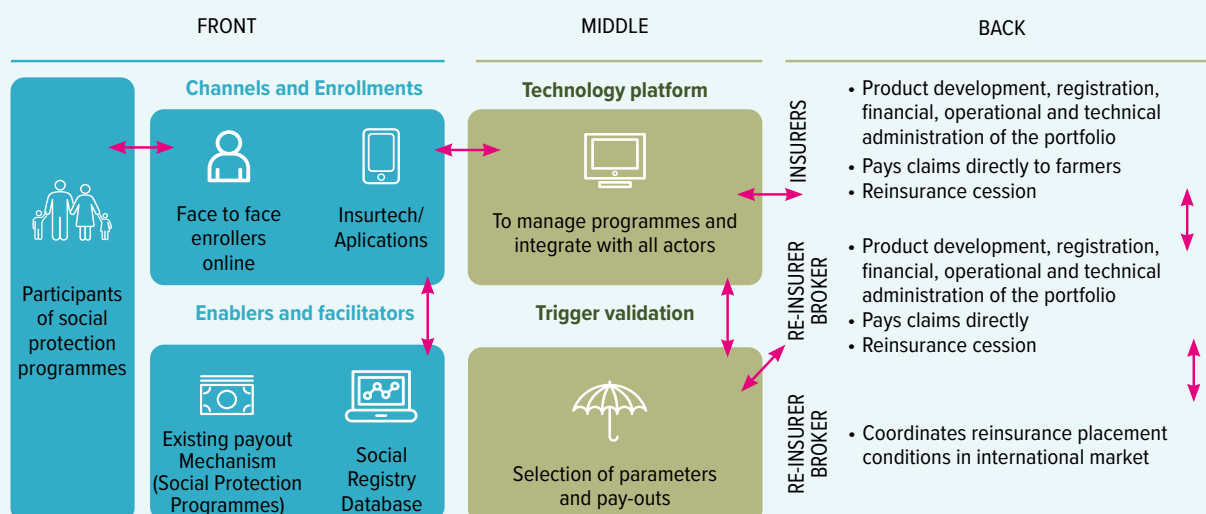
Source: Adapted from the Insurance Development Forum proposal for the Dominican Republic.

A third critical element is how social protection infrastructure can contribute to better preparedness and reaction against shocks (in other words, to promote resilience). Social registries can be a relevant tool to improve coordination with other government agencies responsible for preparing for and reacting to different sorts of shocks. These registries can collect information about households' vulnerability to climate-related shocks and orient disaster risk reduction and climate change adaptation initiatives (for instance, where interventions to reduce risk exposure or implement early warning systems should be carried out). This is precisely what the Dominican Republic did, with support from the UNDP Country Office, when it developed the Climate Shock Vulnerability Index (IVACC) based on data collected by the Dominican Social Registry (SIUBEN) (see Box 12).

The Dominican Republic is also developing a pilot biometric payment system for social protection benefits that will replace bank card payments. This could be helpful in situations of disasters, including those climate-related, in which many beneficiaries or potential beneficiaries of such benefits may have lost their bank cards and documents.

BOX 12

IVACC in the Dominican Republic: the social registry as a tool for disaster risk reduction

The Dominican Republic is an island state in the Caribbean subregion, which lies in the path of hurricanes. The country has been threatened year after year by storms and hurricanes, exacerbated by the effects of climate change. To effectively protect vulnerable and poor households disproportionately affected by these events, UNDP supported the Dominican Government in the development of a tool to measure the climate vulnerability faced by households and communities in geographical areas targeted by social protection and poverty reduction policies.

In 2014, UNDP and the management of SIUBEN –the Dominican Republic's social registry and targeting mechanism for social protection policies– jointly developed the Climate Shock Vulnerability Index (IVACC). This index estimates the probability of households being affected by floods, landslides, and other storm impacts. The multidimensional index combines variables such as housing conditions, household income, and proximity to flood-prone areas to anticipate potential disaster effects. This index has been calculated for all households registered in SIUBEN, covering 70% of the country's households. In addition, the IVACC is cross-referenced with the Quality-of-Life Index (ICV), which is also based on SIUBEN. The combination of these two tools allows for identifying households affected by both poverty and climate vulnerability, enabling a more robust prioritization in emergencies.

The IVACC is a tool designed to support impact prevention strategies at the territorial level, reinforcing prevention and response initiatives to address household vulnerabilities in the country's poor areas. The Government has adopted this index as part of the tools used by the Emergency Operations Center to plan orderly household evacuations, prioritise the most vulnerable areas and households, and improve the prevention and mitigation of shocks. The United Nations System has used it to formulate projects to strengthen local governments and communities to better prepare for and respond to climate-induced disasters. Additionally, The Nature Conservancy has used it to identify environmentally vulnerable communities for their projects, and the World Bank has used it to select beneficiaries for the social protection project against disasters in the Yaque del Sur river basin territories.

5.6.   Financing for social protection

Increasing coverage, adequacy, and responsiveness to social protection will almost certainly lead to higher public expenditures associated with these policies. However, it does not necessarily translate into higher overall public spending or fiscal deficits.

Sources to finance social protection expansion may come from different areas. They may come from pension reforms, involving adjustments to rules of excessively generous pension schemes that are costly and regressive, or from the revision of generalised subsidies, which often exceed the cost of social assistance benefits and services and tend to be regressive. Administrative measures to close revenue loopholes could also contribute to financing social protection expansion.

The UNDP's Regional Hub can offer to governments in the region services of advocacy, proposals of policy design, ex-ante evaluation of impacts of changes in pensions and subsidies using fiscal microsimulations and a series of services from UNDP Sustainable Finance Hub, such as the construction of Integrated National Financing Frameworks, the Tax Inspectors without Borders and the ODS bond issuance schemes.
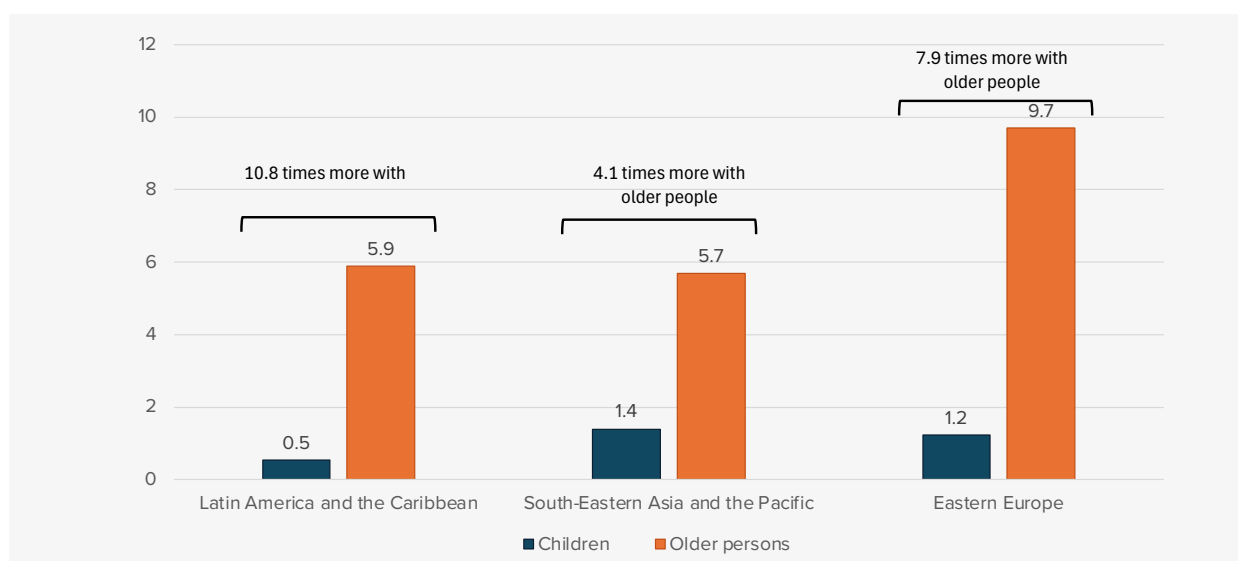
Annex

Additional figures

**Figure A1.** Labour market informality (in percentages) in Latin America and the Caribbean, 2013-2023
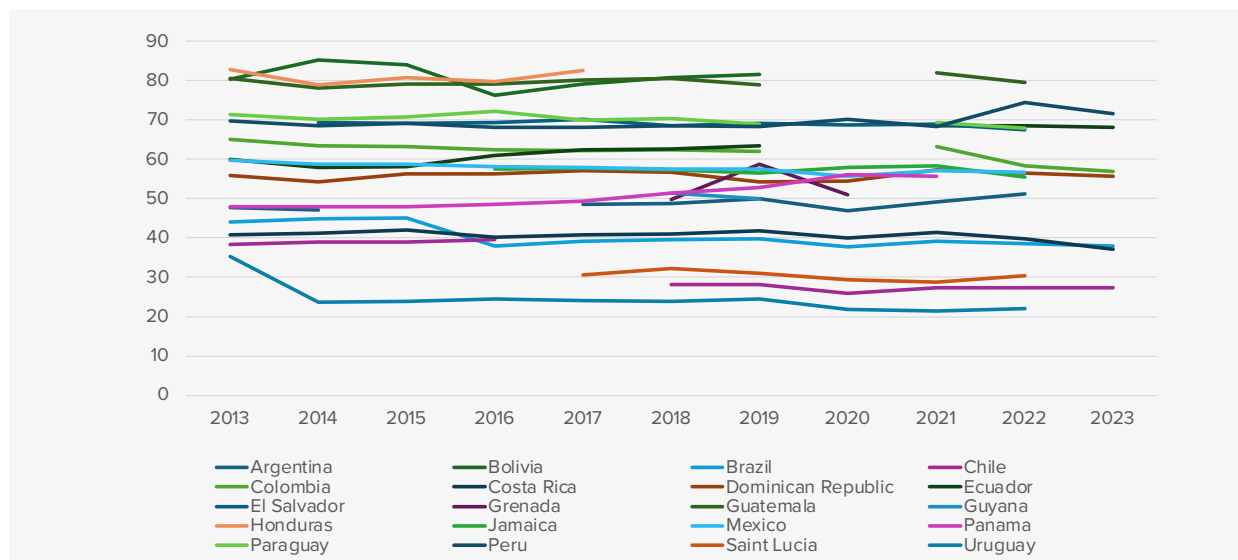
Source: Prepared by the authors based on data from ILOSTAT.

Figure A2. Expenditure on social protection systems, by broad age group (in percentages of GDP) in selected regions, 2020 or last year available

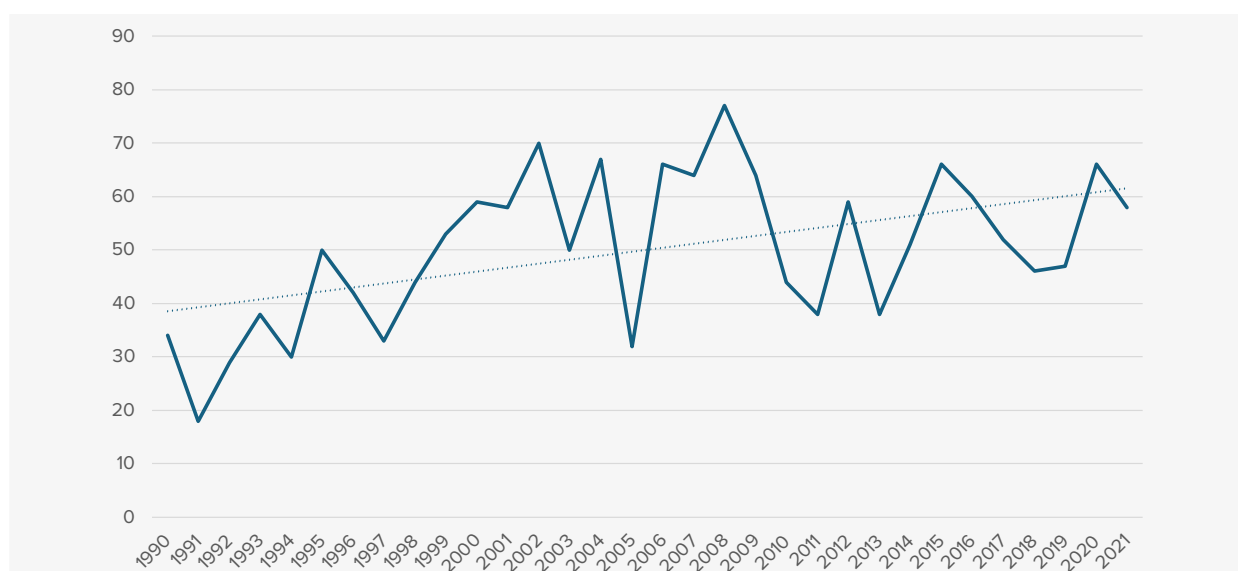**Source:** Prepared by the authors based on data from ILOSTAT.

Figure A3. Mean temperature change (in Celsius) in the Caribbean, Central America and South America, 1961-2022
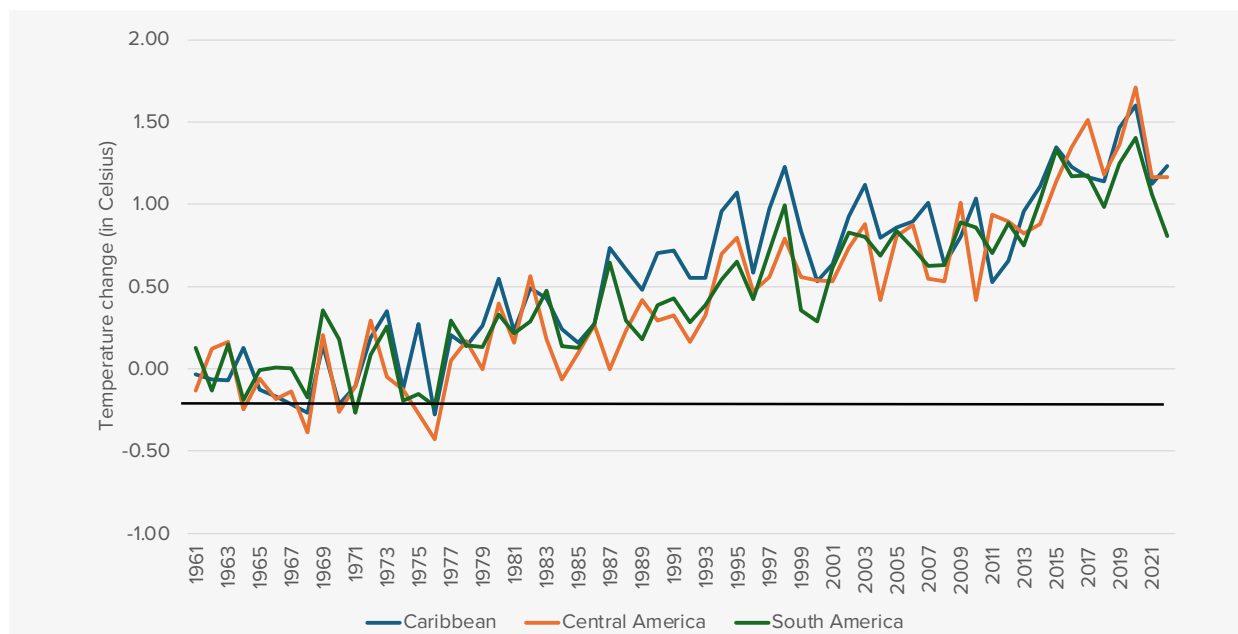
Source: Prepared by the authors based on data from FAOSTAT.
Note: Base year is 1960.

Figure A4. Number of climate-related disasters per year in Latin America and the Caribbean, 1990-2021

Source: Prepared by the authors based on data from CEPALSTAT.

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