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# The future of social protection in Latin America in a context of accelerated changes

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## Abstract

This article discusses the future of social protection in Latin America and the challenges the region faces in the three key performance areas: coverage, sufficiency and sustainability. In particular, the article analyses how coverage is strongly determined by the structure of employment; the limits to expand it given the inability to generate sufficient fiscal space; the consequences of widespread economic and labour informality; the governance deficits; and the acceleration of population aging. It also discusses the increasing need of an adequate combination of contributory and non-contributory social protection provision, as well as the need for a better articulation of social protection systems with the sustainable development framework and its three main spheres: economic, social and environmental. Finally, it is addressed the future of social protection in a context of a growing employment in the services sector, technological change and automation of production and employment; and the relevance of an adequate social protection response to the consequences of climate change and the effects of natural disasters.

**Keywords:** social protection, social security, employment, future of work, Latin America

**JEL:** H55, J11, J14, J18, J26, J32, N36

## 1. Challenges of the future of social protection in Latin America: an introduction

What will happen with the social protection systems and particularly with old-age social security schemes (pensions) with the acceleration of population aging and the end of the demographic bonus?; What will be the mix of contributory and non-contributory social protection provision, and how will it be funded?; How will social protection be articulated in a scheme of public policies that seek to align the aspiration of an inclusive and sustainable development in the economic, social and environmental spheres?; Can Latin America reduce in a sustained and permanent way the incidence of informality?; How will social protection adapt to economic and labour market transformations with the growth of

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the services sector, technological change and the automation of production and employment?; How will public policies, including social protection, address the consequences of climate change and the effects of natural disasters? These are some of the main contemporary questions that persuade us to reflect on the future of social protection in a region facing a context of rapid changes.

This chapter does not intend to answer exhaustively the previous questions. But it does seek to identify and reflect on the different key dimensions that public policies must contemplate in order to move towards an inclusive and sustainable social protection, in a context characterized by traditional economic cycles negatively affecting the region, and several economic, demographic and climate challenges. The performance of social protection measured through coverage, sufficiency and sustainability<sup>2</sup> will of course be affected by such challenges, requiring a much broader scope of reflection.

## **2. Social protection facing economic cycles**

The economies of Latin America and the Caribbean continue to be affected by macroeconomic volatility and the need to stabilize the economic cycle. The pro-cyclical characteristic of public spending in the region is well known (Ocampo, 2011). Figure 1 shows the coincidence in the direction of changes in the public spending and GDP during most of the last two decades. However, there are episodes where the reaction was somewhat different, for instance, the countercyclical policy that mitigated the effects of the 2008-2009 crisis. On the other hand, it has been impossible to react countercyclically during the slowdown in recent years.

As it was previously stated, social protection policy has been rarely countercyclical. The recent economic slowdown from 2012 to 2016 was more prolonged and severe than the 2008-2009 international financial crisis. Its duration and the greater fiscal restrictions have limited the use of countercyclical policies (ILO, 2016). Rather, several Latin American countries were forced to apply measures to adjust public spending, contrary to what is desirable during periods of economic slowdown. This included, in particular, gas and oil producing countries (ECLAC, 2016). In terms of labour markets performance, this period of deceleration/contraction has been characterized as a "slow-motion crisis" because of the negative cumulative effect on several labour market outcomes (ILO, 2016).

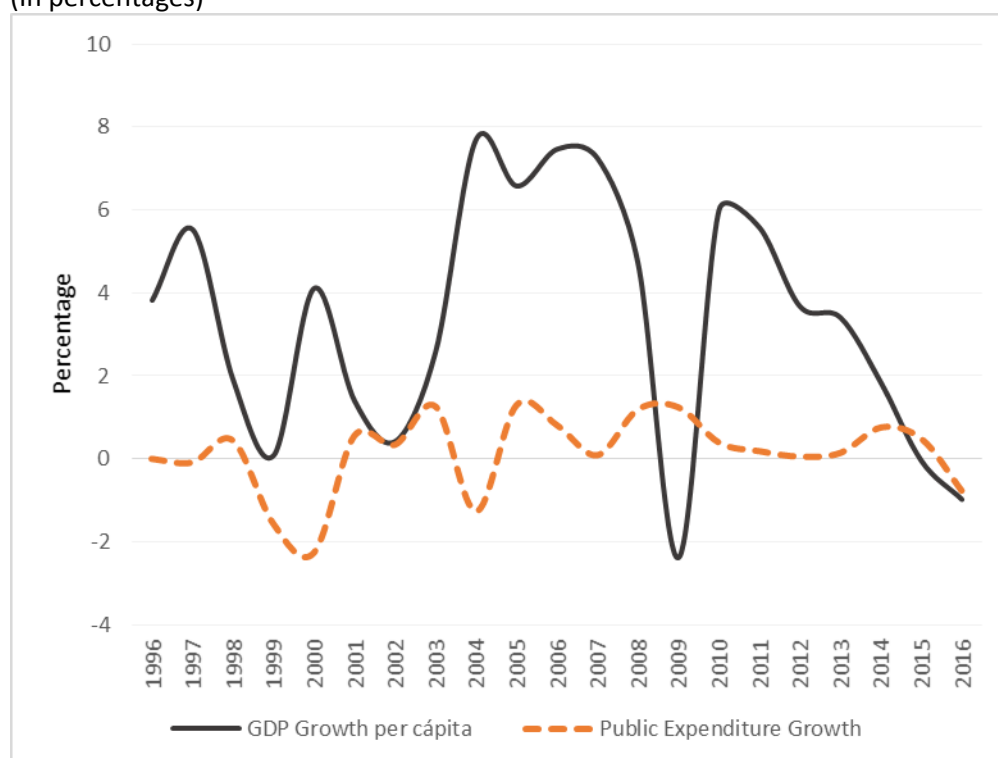
At the regional level, it is of special interest to consider the possibility of introducing social protection policies with countercyclical components. However, due to the persistence of an informal economy of considerable magnitude, the incorporation of automatic stabilizers in the fiscal policy, such as unemployment insurance and income taxation, has been very difficult. Indeed, in the presence of high informality, these automatic stabilizers are insufficient, and therefore ineffective, to face the consequences of the economic cycle.

The experience of industrialized countries suggests that in the face of labour markets with a high incidence of informality, the most appropriate mechanism is to have automatic stabilizers linked to social protection. This includes emergency employment programs during crises and the incorporation or strengthening of countercyclical taxation instruments as a progressive income tax, and with the aim that they also act as stabilizers (Ocampo, 2011).

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<sup>2</sup> Coverage refers to the amount of population reached by the protection of social risks and effective access to benefits. Sufficiency, or adequacy of benefits, refers to the level or amount of monetary benefits or in kind, measured in absolute or relative terms, i.e. in relation to various parameters such as wages. Sustainability is understood as the present and future cost of a system to guarantee coverage and the level of benefits committed.

Figure 1. Growth of GDP per capita and Public Expenditure in Latin America (In percentages)



Source: prepared by the authors on the basis of the IMF's World Economic Outlook 2017.

In addition, the existence of structural economic and social restrictions makes very difficult, and not always convenient, to reduce social spending during boom periods. Consequently, it is more complex to generate fiscal space for countercyclical policies when the economic cycle is reversed. The progress that has been made in social inclusion policies in recent years, albeit modest, contemplates the expansion of rights (health, education, income for the old-age population) to the informal segments of the economy, which tend to grow during economic crises (Casanova et al., 2016). Also active labour market policies, in coordination with social protection mechanisms, gain a more significant role in these counter-cyclical tools.

The new benefits respond, in general, to demands for extension of coverage that go far beyond the cyclical problems and consequently generate rigidities of very difficult - and inconvenient - removal. This positions the idea of having a social protection (spending) floor at a higher level, whose sustainability must be analysed, meaning additional restrictions on the fiscal policy of the countries and the need for budgetary reformulations. These aspects renew the call for attention on the need to increase tax revenues in most of the countries of the region, as we will show below.

### 3. Social protection and the changes in production and labour markets

An important challenge for public policies is to propose innovations to the changing labour market induced by the modifications in production due to technological developments. Moreover, public policy must deal with the ways in which production is organized in global supply chains, with new forms of contracting, as well as with the structural changes that tends to shift employment in agriculture and industry to services (ILO, 2017a; ECLAC/ILO, 2018; ILO, 2018a).

Associated with the increase of employment in services there is a greater informality and an expansion of independent work in the region, which has a quite heterogeneous conformation because it includes self-employed workers with different income levels, professionals and employers. Both issues have gained strength in high-income countries, however, this is not a new issue in the region where in countries such as Argentina, Chile and Uruguay between 2 and 3 out of every 10 workers are independent, a proportion that increases to 4 out of 10 in the Plurinational State of Bolivia, Colombia and the Dominican Republic (ILO, 2016; ILO, 2018a). The high proportion of independent workers is related to informality because these forms of employment, in general, are not adequately regulated, and if they are, compliance with regulations is limited. According to ILO estimates, the evolution of non-agricultural informality (informal employment and informal sector) from 1950 to 2015 for Latin America and the Caribbean shows that it has not managed to decrease under the 47% threshold in the last three decades (ILO, 2016).

Along with a highly informal environment, the Latin American labour market is beginning to face the automation and digitalization of employment, which represents a growing challenge for years to come. Numerous economists, among them John Maynard Keynes and Joseph Schumpeter, conjectured that the introduction of new technologies would create considerable wealth and high productivity growth. However, this change would be accompanied by greater "technological unemployment" because much more production would be obtained with fewer workers and with reductions in the number of working hours. The current debates on this matter involve at least four major issues: the acceleration in the dynamics of destruction and creation of employment; the acceleration in the transformation of occupations and the demand for skills; the birth of a new productive paradigm that in the case of manufacturing has been called industrial revolution 4.0; and the risk of greater inequality (Salazar-Xirinachs, 2017). In addition, Frey and Osborne (2016) investigated the sensitivity of current jobs to their possible disappearance in the face of technological development. These authors found that transport and logistics occupations, along with administrative support workers, clerical work, and labour in the manufacture would face the greatest risk. They estimated that 47% of occupations in the United States would be at risk of disappearing within 10 to 15 years.

The evidence shows that technology and digitalization are being introduced rapidly in the world of work, generating jobs substitution in sectors and activities that carry out mostly routine operations. While it is difficult to have an accurate assessment of the impact of disruptive technologies on work, it is necessary to be aware of the need to prepare actors and institutions for the coming changes on the organization of production, work, income and social protection. In addition, these transformations in the labour market are occurring concurrently with demographic transitions and the aging of the population.

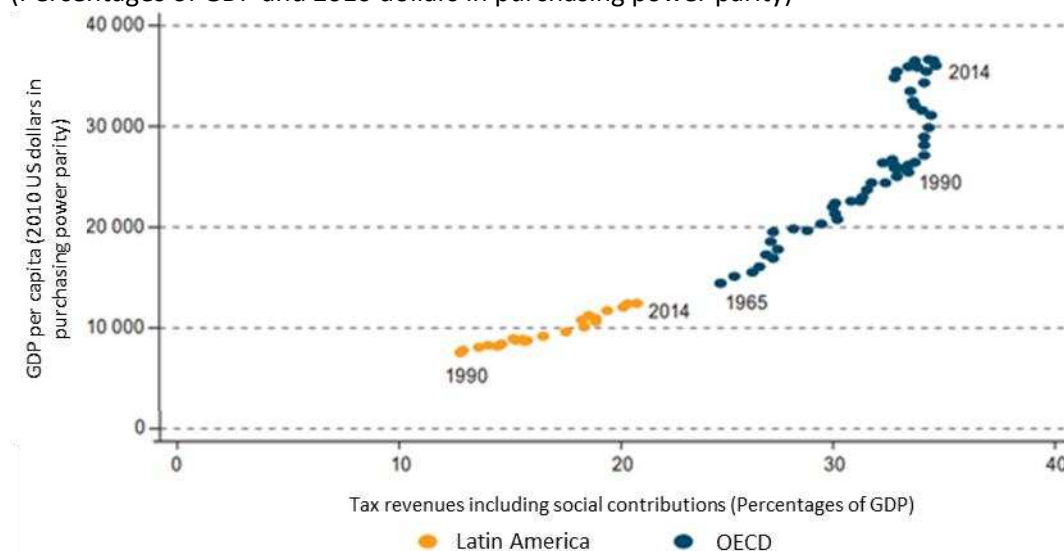
The debate about the future of work and labour relations highlight the need to reflect on the future of social protection and the necessary changes not only to ensure existing levels of coverage but also to close the actual gaps (ILO, 2018a). This involves reconsidering crucial aspects of social security systems such as the scope of the legislation, entitlement conditions, administration and financing of different benefits.

Social protection also interacts with the necessary transformations in the Latin American productive and growth model, which are needed in order to generate more and better jobs. The policies of productive development are relevant because they contain the tools that allow accelerating and giving shape to a more sustainable, and inclusive growth, with greater productivity, economic diversification and reduction of the inequality gaps (Salazar-Xirinachs, 2017). In this sense, social protection plays a leading role in the interaction with different economic, social and environmental dimensions. Given that labour informality is experienced by almost five out of ten workers and their families (ILO, 2018b),

policymakers in Latin America should consider building social protection floors that guarantees economic security in all ages, regardless of the type of occupational category or employment status.

The strategy of expanding and strengthening national social protection floors (ILO, 2018a) must be carried out jointly and coherently with the progressive formalization of labour, seeking synergies between these processes, and expanding the fiscal space. The sustainability of these strategies of formalization and expansion of financing is, of course, a challenge and a public concern because of the potential effects on international competitiveness. However, the experience of OECD countries evidence shows there should be margins for both strategies because Latin America presents similar expenditures in terms of GDP for education, but lower for social security. Furthermore, if the region is compared with the OECD (figure 2), it can be inferred that there is room for a trajectory of joint evolution between per capita income and tax burden, including social contributions, which would allow national sustainable social protection floors and more advanced forms of social security in the framework of compulsory and voluntary social insurance.

Figure 2. Latin America (1990-2014) and OECD (1965-2014): Tax burden and GDP per capita (Percentages of GDP and 2010 dollars in purchasing power parity)



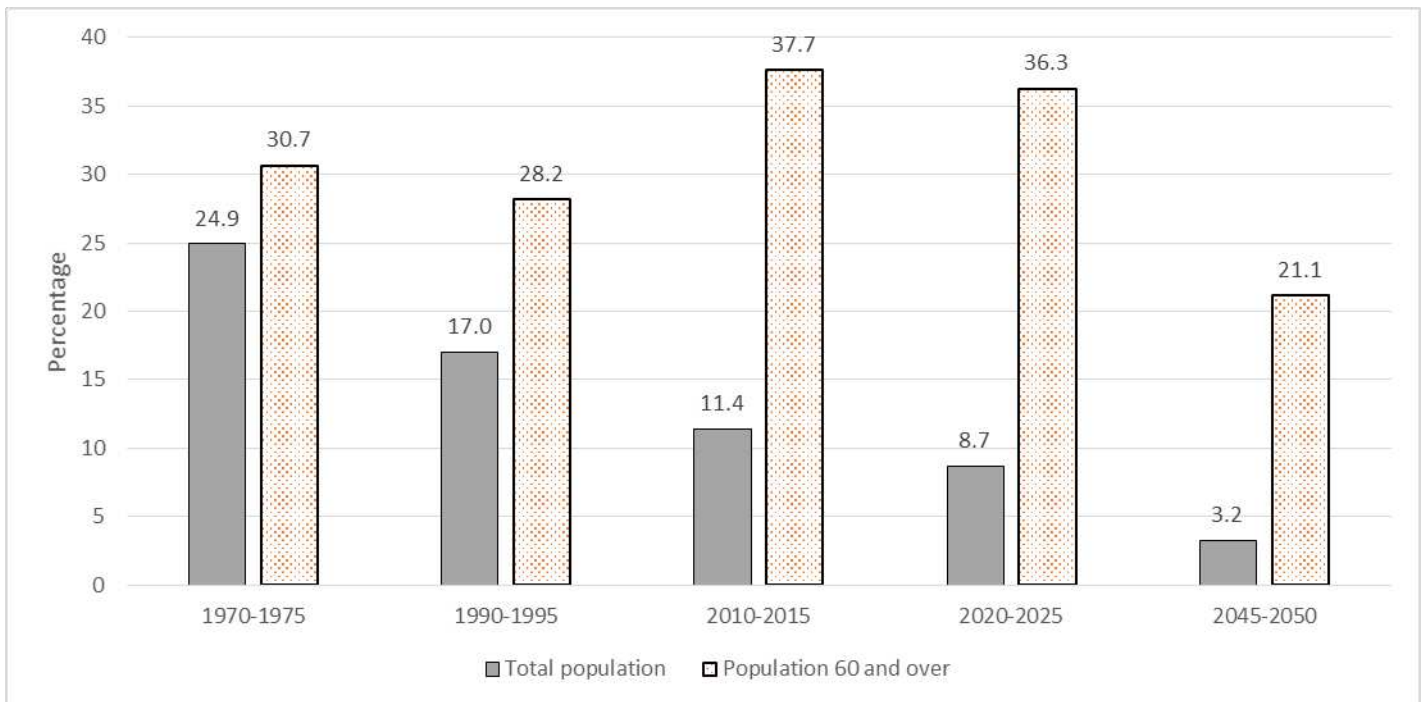
Source: Arenas de Mesa (2016).

#### 4. Demographic trends and implications for social protection

As highlighted in recent regional studies (ILO, 2006; ECLAC, 2017; ILO, 2018a) Latin American population is aging and the demographic bonus is reducing, which over the past century had facilitated financing the expansion of social protection in the region. These trends are heterogeneous across the sub-regions and countries, but they are practically unequivocal: children, adolescents and young workers lose relative participation and the proportion of old-age persons increases, in some cases at a very high rate. That is, dependency rates are increasing rapidly. Likewise, older population are prolonging its permanence in the labour market as a result of the coverage gaps and the limited benefits granted by the pension systems (ECLAC-ILO, 2018).

In Latin America, the rate of total population growth has slowed down in recent decades while the share of older population has increased. As a result, the growth of the population over 60, which was only 20% higher than the total population growth in the seventies, has reached between three and four times the average growth rate and is expected to be 6.5 times the growth of the general population by the 2050s (figure 3).

Figure 3. Total population growth and of the older population in Latin America



Source: CELADE - Population Division of ECLAC. Revision 2015.

The decrease in the total population growth combined with the greater share of the elderly in the population are common for the entire region, creating a generalized trend in the 21st century towards an increase in dependency rates (table 1). The increase in dependency rates is more accelerated in countries such as Cuba, Uruguay, Chile, Brazil, Argentina, Panama, B. R. of Venezuela and Costa Rica. In 2050 four countries in Latin America are expected to have dependency rates close to or greater than 40% (Chile, Brazil, Costa Rica and Cuba) while in 2100 fourteen countries could have dependency rates of 50% or more.

The specificities of the demographic changes imply that reforms to social protection systems must be considered on a country-by-country basis. Although many of the countries in the region will enjoy a maximum demographic bonus between the decades of the twenties to the forties of this century, some countries, especially those of the Southern Cone, Costa Rica and Cuba, would have exhausted that bonus much earlier. These trends, together with an accelerated aging of the population, add challenges to the sustainability of social protection, particularly for those that rely more heavily on contributory resources. In order to illustrate the expected trajectory of the countries, figure 4 shows the evolution of the dependency indexes for six countries, both in the advanced aging group and in the moderate group. Paraguay is the country with the most suitable situation to face aging-related challenges, but with greater challenges to address social protection of children and adolescents.

Table 1. Evolution of dependency rates by country

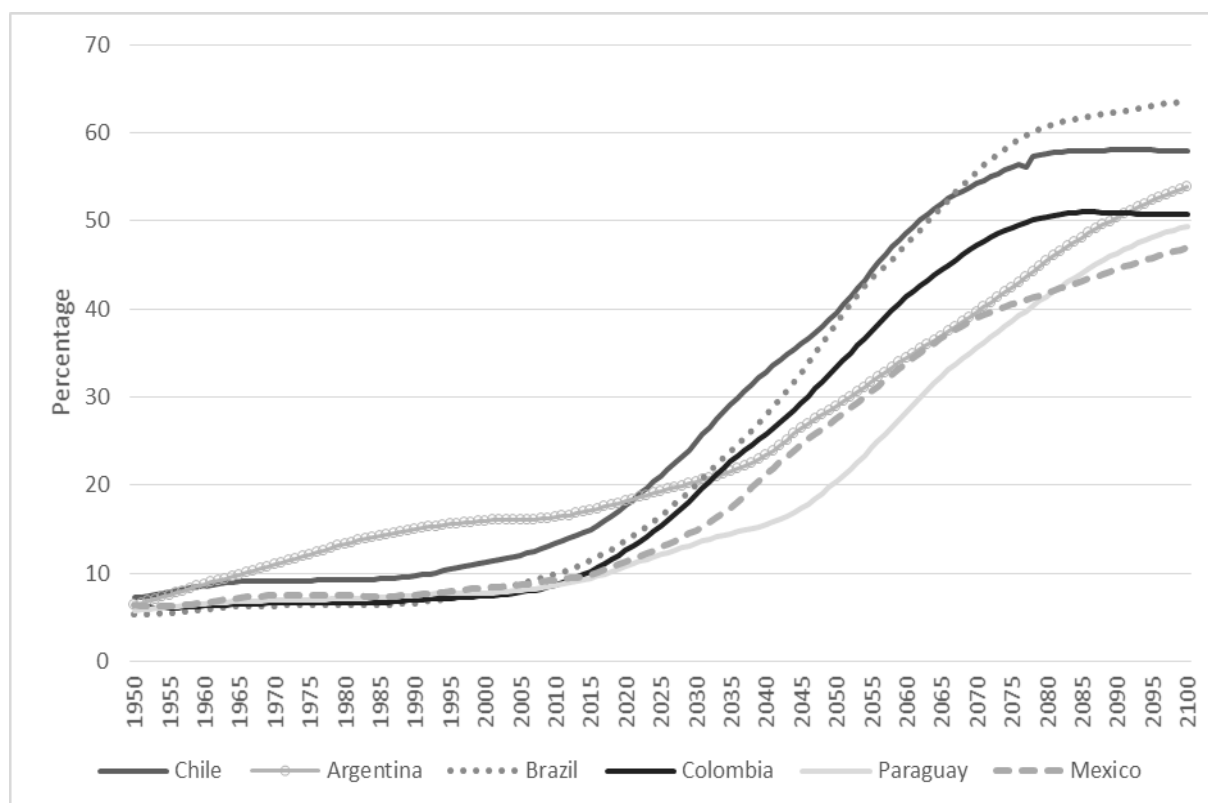
Country	1950	1970	2000	2015	2050	2100
Chile	7.3	9.1	11.3	15.0	39.6	57.9
Argentina	6.4	11.0	16.0	17.1	29.0	53.9
Brazil	5.4	6.4	7.8	11.5	38.4	63.6
Colombia	6.3	6.6	7.4	10.2	33.4	50.8
Paraguay	5.8	6.9	7.7	9.4	20.4	49.4
Mexico	6.4	7.5	8.4	9.9	27.6	47.0
Bolivia	11.2	7.1	8.7	10.3	22.9	61.9
Costa Rica	5.5	6.4	9.1	13.1	39.0	67.1
Cuba	7.4	10.3	14.4	20.0	53.4	52.7
Ecuador	9.6	8.3	8.3	10.4	25.8	54.9
El Salvador	7.5	6.3	9.4	11.9	27.1	61.3
Guatemala	4.7	5.7	7.8	7.5	18.2	63.9
Haiti	6.5	6.7	7.2	7.4	17.6	46.7
Honduras	7.5	6.4	7.3	7.7	22.0	50.9
Nicaragua	5.2	5.2	6.8	7.8	24.8	48.7
Panama	6.6	7.2	8.8	11.7	29.0	47.6
Peru	6.3	6.7	8.0	10.5	25.3	49.4
Dominican Republic	5.3	5.4	8.6	10.5	23.6	47.0
Uruguay	12.9	14.1	21.0	22.5	35.3	55.7
Venezuela, B. R.	4.4	5.2	7.1	9.6	26.4	52.3

Source: CELADE - Population Division of ECLAC. Revision 2015.

Note: the dependency ratio of older adults is calculated as the quotient between the population of 65 years or older and the population between 15-64 years.



Figure 4. Dependency Index of Older Adults in Selected Countries of Latin America, 1950-2100



Source: Based on CELADE - Population Division of ECLAC database. Revision 2015.

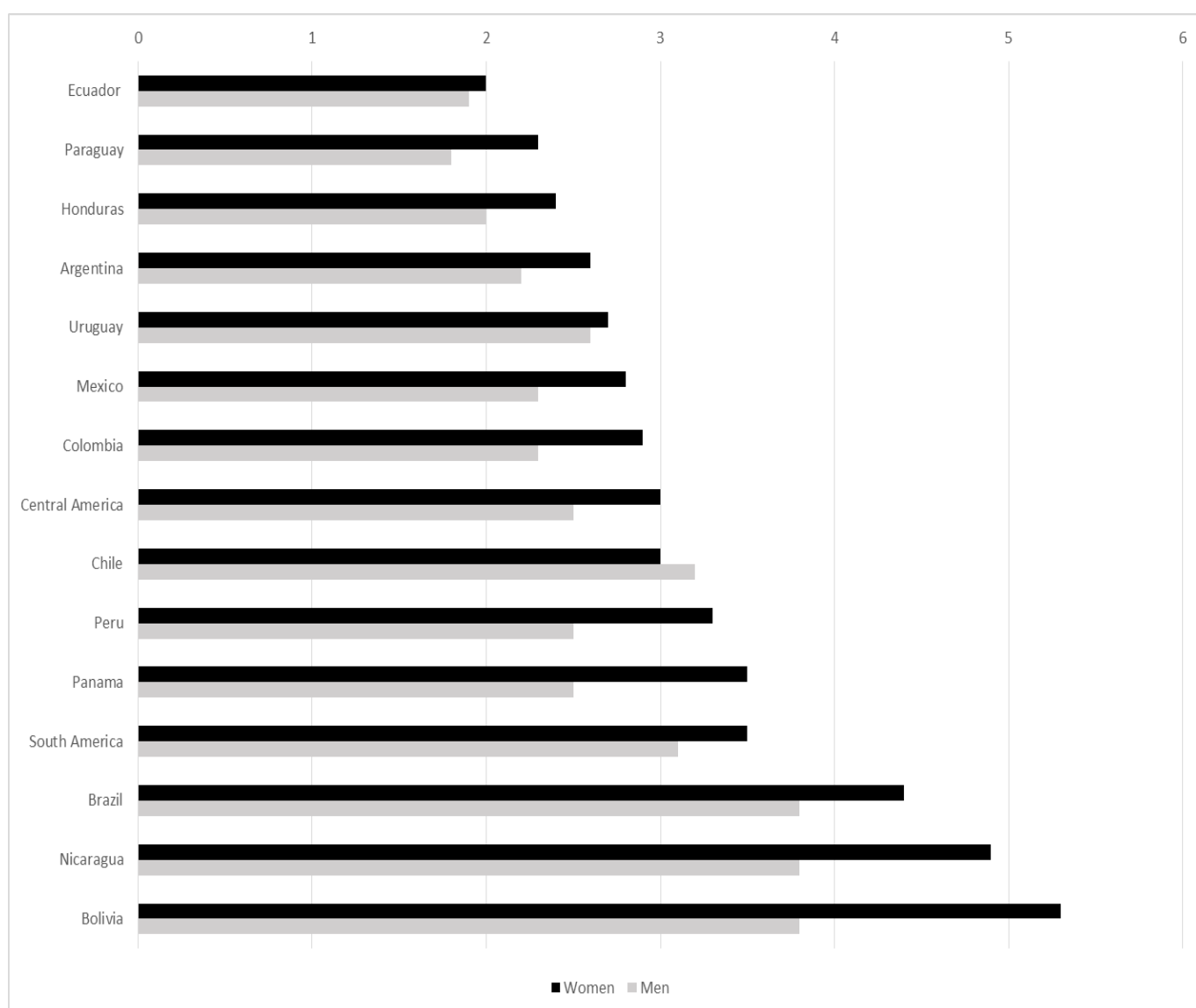
Taking into account these considerations, pension systems should gradually adjust their parameters to face demographic changes and ensure medium-term solvency without affecting the fiscal space necessary to meet other demands for social protection and investment.

In systems with limited coverage, where the informality of labour markets leaves important sectors of the population out of the system, the effects of demographic changes and dependency rates could be cushioned or postponed to the extent that formalization policies are successful. The elimination of barriers to the incorporation of women into the labour market could be another powerful factor that plays in favour of the sustainability of the systems during the coming decades. In these cases, the demographic variables must be considered jointly with the tendencies to formalize the economy. Unfortunately, recent trends do not show very optimistic prospects where informality indexes may fall significantly. The impacts of greater participation in the labour market of older adults, who delay their retirement in search of improving their income, should also be considered.

The situation of social protection in health care also presents very specific aspects that should be considered in each case with particular attention. The evolution of health systems and the impact of technical change are among the causes and consequences of demographic change. The development of healthier environments and the advancement in the health sector have promoted an accelerated growth in the life expectancy of the population. Starting from very different levels and with some differences by country, the life expectancy of the population has grown considerably (figure 5). Thus, countries must maximize their efforts so that their health systems, in addition to improving coverage and reducing inequities, respond to the growing demands stemming from population aging and the incorporation of new and more expensive technologies. Undoubtedly, the fiscal space required will be much greater and will demand additional efforts to prioritize the destination of public resources.

Figure 5. Change in life expectancy of people over 60 years of age between five-year periods (1995-2000 and 2020-2025)

Source: based on World Population Prospects, United Nations. The 2017 Revision.



## 5. The challenges for better governance of social protection

During the last decade, an area of growing concern for public policies on social protection has been related to the structure and functioning of governance. Governance is closely linked to how the financing rules and coordination mechanisms that have been established (or not established) have been adopted to ensure reasonable levels of coherence and effectiveness that positively impact the different branches of social security and the social protection system as a whole. Thus, the factor that ultimately determines whether a social security scheme works or not is proper administration and good governance. Governance is central to explaining differences in performance, in terms of coverage, sufficiency and sustainability. Good governance and proper administration can neutralize a faulty design, although good design without proper management and governance could not provide adequate and sustainable social security (ILO, 2011).

Although there are different views on the scope of a governance system for social protection, there is a consensus in its definition. Governance is "the manner in which the designated authority makes use of its powers to achieve the objectives of the institution, including its powers to formulate, apply and introduce new policies, rules, systems and processes in the organization, and to capture the participation and commitment of the stakeholders. Good governance means that the exercise of the authority conferred will be responsible, transparent, predictable, participatory and dynamic" (ISSA, 2013). Within the governance of social protection there are two large groups that should be considered. On the one hand, we have the process of design and implementation of policies, and on the other, the functioning of the institutions responsible for administering social programs.

The articulation expressed in mechanisms of coordination of the different components of social protection is key to understand and evaluate their performance. In order for this articulation to be effective and for the best results to be achieved, special attention must be paid to the stages of design, implementation and operation of the system (Schwarzer, Tessier and Gammage, 2014).

The utilization of good practices<sup>3</sup> has implications for the effectiveness and efficiency of the policies implemented, together with the performance of the different regimes through good administrative and financial management. Social security institutions are responsible for managing social protection programs. Good governance of social security institutions implies adopting good practices in their organizational structures, including human resources, operational functions and investment of social security funds. It is essential that in all cases there are public bodies that have responsibilities to regulate and monitor the system as a whole, where tripartism has an important role in the stewardship and control of financial, economic and administrative aspects (Gillion et al., 2000).

The performance of social security systems has been evolving in large part due to the improvements that have occurred in key areas such as **information and communication technologies** (ICT), the collection of contributions and the quality of services. The collection of contributions in contributory systems include several processes such as the affiliation of workers and employers, the determination and collection of contributions, the validation of data and audit activities. Almost all countries in the region have implemented, to a different extent, electronic communication mechanisms between the insured and the social security institutions through which affiliations, declarations and online and insurance payments can be made. Another advance has been the possibility for the insured to verify the contributions that have been registered in the social security system and the possibility of simulating the amount of the pension at the time of retirement.

**Social dialogue** consists of a base of consensus and democratic participation of the stakeholders, which in the case of social security is expressed through tripartism between trade unions, enterprises and the State, together with citizens, families, communities and social movements that demand better conditions of coverage and sufficiency of benefits, institutions of civil society, as well as the international community (ILO, 2002). When these structures and processes work, there is an important potential to solve economic and social issues. This ensures legitimacy and good governance, promoting a social protection system aligned with economic progress, and prolonging its institutional and financial life.

Some experiences of social dialogue in the region have allowed progress in the process of debate and redesign of social protection policies. The National Social Security Dialogue in Uruguay in 2007 and 2008 and its second stage from 2010, resulted in a consensus to flexibilise the requirements for

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<sup>3</sup> The Guidelines on Good Governance developed by (ISSA, 2013) mainly cover the responsibilities of the social security administration in its four areas: sustainable finance; solid investments; adequacy of coverage, member contributions, and services offered; and the management of resources, particularly human resources and the infrastructure of information and communication technologies (ICT).

accessing pensions (2009), and to modify conditions of access to unemployment insurance (2009). In 2016, the Government of Uruguay launched the Uruguay Social Dialogue to the Future with the aim of rethinking the country towards 2030-2050 in coordination with the new Sustainable Development Goals. The Economic and Social Council of Honduras, of tripartite composition, has also played an important role in the analysis of the Framework Law of the Social Protection System (2015), prior to its adoption by the Parliament and, recently, the establishment of a Dialogue for pensions (2017) in Costa Rica, composed of representatives of the State, employers and workers.

In line with the provisions of the Social Security Convention (Minimum Standards), 1952 (No. 102) concerning the participation of representatives of protected persons and representatives of employers' organizations, in addition to public authorities, several countries in the region have tripartite or quadripartite representation within the boards of directors of the social security institutes. These cases include the Social Security Institute of Uruguay, the Ecuadorian Social Security Institute, the Social Security Institute of Paraguay, the Costa Rican Social Security Fund, the Social Security Fund of Panama, and the Salvadoran Social Security Institute and the Honduran Institute of Social Security.

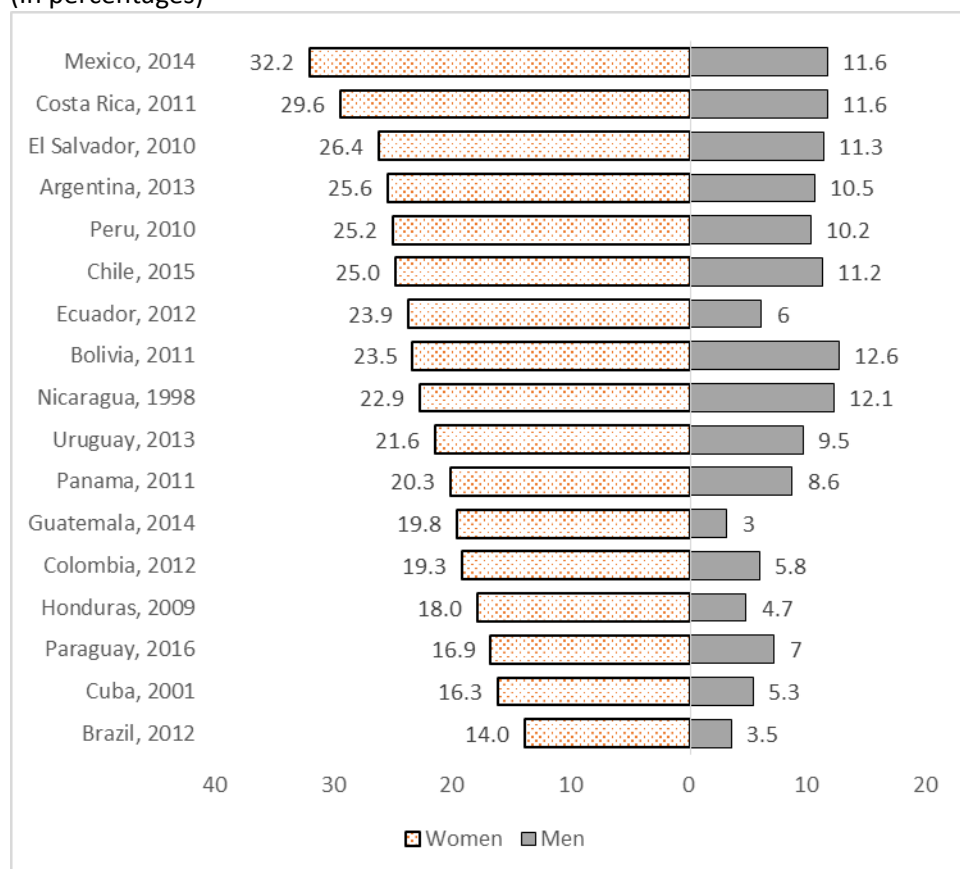
The region faces significant challenges in this area and especially in light of the 2030 Agenda. Governance is required to allow the generation and coordination of funds where social security administrators and labour institutions are empowered thanks to the investment in the collection mechanisms of social security contributions (Ortiz et al., 2017). In order to strengthen the systems in an integral manner, the region must also apply improvements in their articulation and overcome their fragmentation by giving greater internal and external coherence. It also requires generating greater coordination in the design, execution and administration of the different social security programs, in order to achieve political, social and economic sustainability. In addition, government must provide greater robustness to social security institutions and in this same line strengthen the use of information and communication technologies (ICTs) as a central tool to organize, automate and streamline all processes; and finally strengthen social dialogue, where tripartism is a legitimating and a facilitating tool of governance in social security systems.

## **6. Care systems as a necessary new component of social security systems**

The insertion of women into the labour market, and to a large extent their possibilities to access social protection, is determined by the unequal distribution of unpaid work. The sexual division of labour establishes a rigid separation between the productive and reproductive spheres, consigning the latter to the private sphere, and assigning women the responsibility of supplying domestic work and taking care of the needs of their family.

The validity of this division, which disproportionately increases the unpaid work of women, is found in the results of surveys that collect the use of time. The time women spend on unpaid work ranges from one fifth to one third of their daily or weekly time, while men devote a tenth of their time (figure 6).

Figure 6. Latin America (17 countries): Proportion of time devoted to household chores and unpaid care, by sex  
(In percentages)



Source: ECLAC (2017b).

This unequal distribution limits, and even prevents, women's access to the labour market. In fact, 43.4% of women between 20 and 59 years of age indicate that they do not work or seek work due to family reasons (ECLAC, 2017b). In the case of young women, 71.1% of those who do not study or work are not able to do so because they are engaged in domestic chores (ILO, 2010). Undoubtedly, this situation is linked to a significant deficit of rights in terms of income and economic autonomy. That is why, given that the predominant social protection model in the region linked coverage to employment status, women have more limitations in accessing social protection.

In order to reverse this situation, several countries in the region have taken steps to design and implement policies for social co-responsibility in care. Care policies include a wide range of benefits according to the people to whom care is sought (especially, children, the elderly, or people with disabilities). These are labour intensive activities that, taking into account the diversity of objectives, modalities of provision and financing, offer services fragmented in many cases and, depending on the predominant ethical conceptions in each society, the responsibilities are shared between the specific areas of the public policy and families (Barbieri, 2014).

In this way, care policies include different modalities of interventions that, having different population groups as objective, can be classified into three groups:

- i. Those that ensure time of care. They usually benefit formal workers who make contributions to social security and may include different types of licenses (for example,

- maternity, paternity, breastfeeding), and permits (for death or assistance to a relative), among other modalities.
- ii. Those that grant a sum of money to finance care actions. Here we must differentiate tax benefits (family allowances, pensions, and disability pensions) and non-contributory benefits (transfers to households with children and different types of non-contributory pensions, including disability).
  - iii. Those that provide direct care services. They are intended for early childhood (nurseries and care spaces in workplaces, reimbursement of child care expenses, and other services for children that may be non-contributory); to the older adult population (health care, institutions specialized in care, home care units, residences, day homes, rehabilitation centres, homes for the elderly and general hospitals with geriatric units), and people with disabilities (for example, special education units).

As previously noted, policies that transfer income can be developed through social security, such as non-contributory transfers, through tax credits and subsidies (including so-called tax expenditures), or other specific modalities depending on the country. On the other hand, policies that combine time and money should be considered, especially when they are linked to the rights enjoyed by formal employment (paid leave, flexible time arrangements and reduction of working time). Additionally, conditional transfers with or without counterparts to households with children and adolescents can also be considered as money transfers to facilitate care. Therefore, there is a mix of policies framed in different sectors and types of financing. Among these, there are exclusive financing of the State or of the market, or, articulations between State and market or State and community. Good examples in the region can be found in Uruguay, Chile and Costa Rica. For more detail on these examples see ILO (2018a).

## **7. Responses of social protection to climate change**

Public policies usually generate rigid institutions and social programs that limit the scope of interventions when the context is rapidly changing. Climate change and natural catastrophes are some of the factors that have experienced major alterations recently, testing the capacities of public policies to react to their consequences and, even more importantly, the ability of public policies to focus on preventive aspects. This factor is added to the changes in the world of work coming from the macroeconomic environment, the technical changes and the organization of production along with demographic trends. The ILO Recommendation on Employment and Decent Work for Peace and Resilience (No. 205)<sup>4</sup> provides guidance on the measures to be taken to generate employment and decent work for the purposes of prevention, recovery, peace and resilience with respect to crisis situations caused by conflicts and disasters.

Climate change, caused by greenhouse gas emissions, and extreme events such as earthquakes and hurricanes in the region, increasingly constitute important challenges that the world and Latin America will face in the coming years. The care of the environment is a global public good (Stern, 2007) that requires enormous efforts of societies to adapt to the new living conditions that can be foreseen and, at the same time, to mitigate emissions. The risks generated by climate change include economic and welfare losses, falls in labour productivity and the work of migrants under unsatisfactory conditions. In addition, together with climate change, the loss of biodiversity, the unsustainable management of water resources and the effects of pollution and hazardous chemical substances on health are among the most important challenges that demand a more sustainable environmental management (OECD,

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<sup>4</sup> [http://www.ilo.org/dyn/normlex/es/f?p=NORMLEXPUB:12100:0::NO::P12100\\_ILO\\_CODE:R205](http://www.ilo.org/dyn/normlex/es/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:R205)

2008). Undoubtedly, the changes will involve important impacts on employment and the way in which social protection priorities are defined.

The risks may be higher for segments of the population with certain structural vulnerabilities, such as indigenous and tribal peoples, or residents in rural and coastal areas (ILO, 2017b). Of particular importance is the consideration of the problems that may be suffered by workers whose activities are related to the exploitation of natural resources and those who may suffer during the transition to environmentally sustainable economies. This requires social protection helping the process of mitigating the problems generated by the transition itself and adapting to future modes of environmentally sustainable production and their repercussions on the demand for employment (ILO, 2015). Additionally, climate change can have a negative impact on gender equity, since women are overrepresented among the poorest people, disproportionately concentrated in the agriculture and tourism sectors, especially affected by natural disasters (ILO, 2008).

As in any public good, there is a great asymmetry between those who have caused the deterioration of the climate and those who suffer its consequences. As ECLAC (2015) points out, "although Latin America has historically contributed to climate change to a lesser extent than other regions, it is still particularly vulnerable to its effects and, moreover, will be involved in various ways in its possible solutions. Latin America and the Caribbean is especially vulnerable to the effects of climate change due to its geographical and climatic situation, its socioeconomic and demographic condition and the high sensitivity to the climate of its natural assets, such as forests and biodiversity".

In response to this challenge, important initiatives have been observed in the region aimed at expanding and improving social protection to address the impact of climate change. Thus, for example, in the Central American and Caribbean region, Guyana, Jamaica and Barbados have taken the lead in accounting for the impact of climate change on the social and economic structure of this region and are fully aligned with the Partnership for Action on Green Economy (PAGE). PAGE supports countries moving towards economies that are more inclusive, use resources more efficiently, have low carbon emissions and are more resistant to the effects of climate change. It has been shown that the net creation of employment is possible in the process of reform towards a greener economy. It is also clear that the objective of developing environmentally sustainable and socially inclusive economies cannot be achieved without the proactive contribution of the world of work. Jobs are considered "green" when they help reduce the negative environmental impact, resulting in companies and economies that are environmentally, economically and socially sustainable. Social protection must therefore adapt to green jobs and provide risk coverage to ensure that the transition to a green economy is framed in the principles of decent work.

Likewise, the negative effects of natural disasters on the potential growth of economies and social conditions must be considered, especially taking into account that there is evidence showing that natural disasters have a stronger impact on the poorest population, with sources of income less flexible, scarce assets and with a greater vulnerability to health risks, among other discriminating factors. (Galindo et al., 2014)

Natural catastrophes, such as those that occurred in 2017 - for example, the earthquakes in Ecuador and Mexico and the hurricanes Irma and Maria- have widened the gaps in decent work by generating more unemployment and poverty, affecting -and in some cases destroying- the productive factors, deepening the migratory movements and deteriorating the climate of social dialogue. The losses and damages can become colossal and not only from the economic point of view but also social. The material damages generated by hurricanes in Central America and the Caribbean represent more than twice the GDP in Dominica (226% or US \$ 1.3 billion) where all crops have also been lost and poverty is expected to increase by 25% and 40%. Another factor that has been seriously damaged was the

hotel infrastructure and beaches, thus compromising the main income source (in Saint Maarten and Turks and Caicos) and generating massive job losses (in Anguilla, for example, almost 50 percent of employees of the hotels - some 1,100 lost their jobs).

The lack of social protection systems with universal coverage inhibits the development of resilient societies that can provide answers to those who have been affected by climate change and natural catastrophes. Moreover, it forces governments to adopt emergency measures that generally depend on external financing. The lack of unemployment insurance in most countries of Central America and the Caribbean does not guarantee an income for those who have lost their jobs after the hurricanes. Social security institutions face the loss of income from contributions, which in some cases can reach 30 percent, thus compromising their financial sustainability.

Regarding the challenges, countries should focus their efforts on two fundamental aspects: i) in the development of resilience as a mechanism for preventing and safeguarding employment in the face of climate change, and ii) in the nexus between humanitarian and emergency and sustainable development policies in the process of reconstruction, particularly productive work. Employment and social protection policies contribute to facilitating the transition towards more sustainable growth by creating green jobs and promoting the progressive elimination of jobs in economic activities that are not consistent with sustainable development. It is therefore essential that the social and environmental dimensions of globalization form an integral part of the necessary reformulation of the productive structure and employment. An example of investments necessary for this adaptation are employment and income opportunities in areas such as the expansion of coastal protections, solidification of the land, strengthening of buildings and infrastructure, water management and collection. As mentioned above, social protection can facilitate the transition to sustainable growth. For example, monetary transfers linked to active labour market policies can favour a closer link with the requalification needs of workers and/or support the economic security of the families affected by these transitions. Emergency employment services can play a leading role in these processes.

Finally, it is necessary to note that the opportunities for generating green jobs are also accompanied by important challenges. In general, the quality of these jobs has been deficient. For example, jobs in the sectors of recycling, construction and biofuels tend to belong to the informal economy. However, these limitations should not be considered as insuperable obstacles but as important challenges that must be faced in order to build more sustainable societies. (ILO, 2008).

## **8. Conclusion**

The future of social protection in Latin America has clear challenges in terms of the three areas in which its performance is evaluated: coverage, sufficiency and sustainability. Despite the heterogeneity observed at the country level in terms of policy orientation, institutional development and economic cycles, in the three areas in which the performance of social protection is assessed (coverage, sufficiency and sustainability), there are gaps across the region:

- the predominance of economic sectors of relatively low productivity
- the employment structure and the inability to generate sufficient fiscal space that can sustain a social expenditure with distributive impact.
- informality and social security governance deficits
- the acceleration of population aging
- the end of the demographic bonus
- the financing requirements and adequate combination of contributory and non-contributory social protection provision



- a better articulation of a scheme of public policies that seeks to align with the aspiration of an inclusive and sustainable development in the economic, social and environmental spheres
- the adaptation to economic and labour market transformations with the growth of the services sector, technological change and the automation of production and employment
- the relevant response of social protection to the consequences of climate change and the effects of natural disasters.

To the extent that countries in the region can internalize the impact of these elements on the design of their public social protection policies, it could generate appropriate responses to the challenges they face in the 21st century.

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