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**DOI:**

[10.1111/blar.13186](https://doi.org/10.1111/blar.13186)

**Document Version**

Final published version

[Link to publication record in Manchester Research Explorer](#)

**Citation for published version (APA):**

Barrientos, A. (2020). COVID-19 and Social Protection in Latin America. *Bulletin of the Society for Latin American Studies*, 39(S1), 52-55. <https://doi.org/10.1111/blar.13186>

**Published in:**

Bulletin of the Society for Latin American Studies

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# COVID-19 and Social Protection in Latin America

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The paper considers the role of social protection in mitigating the impact of COVID-19 on livelihoods and in addressing the impact of the economic crisis ahead.

Keywords: COVID-19, poverty, social assistance, social justice, social protection, unemployment.

At the time of writing (June 2020) COVID-19 has led to a severe health crisis in Latin American countries, with rising rates of infection and mortality. Governments' efforts to bring the pandemic under control have required restrictions on economic activity as well as social interaction. The suspension of economic activity and the disruption of domestic and international supply chains have raised the prospect of an equally severe economic crisis. The paper considers the role of social protection in mitigating the impact of the health crisis on livelihoods and in addressing the impact of the economic crisis ahead.

The paper opens with a brief review of the potential role of social protection in a health crisis like COVID-19. This is followed by a stock take of social protection responses to date. It ends with a speculative discussion of social protection in the economic crisis ahead.

## Social Protection and Systemic Crises

Governments 'socialise' private income, they collect taxes and provide transfers. Transfers in kind include education, health, housing, roads and sanitation, for example. Transfers in cash are what we call social protection and include social insurance and social assistance. Social insurance protects workers from life-course and job-related risks. Social assistance provides support to families facing poverty and vulnerability (Barrientos, 2013). In order to address a pandemic like COVID-19, transfers in kind are all important. Comprehensive healthcare services reaching the entire population could best minimise the health crisis.

In theory, social protection has a limited role in addressing pandemics like COVID-19, but it can be effective in protecting the population from its economic effects. At its core, insurance addresses idiosyncratic risks, risks that randomly affect fractions of the population. Where unemployment or poor health strike a small proportion of the labour force, a small premium collected from each worker could finance compensation to those

affected. Unemployment insurance fails where a substantial share of the labour force is likely to be out of work, helping to explain its scarcity in the region.

Social assistance consists of budget-financed transfers to vulnerable families. Social pensions and family income transfers work primarily as redistributive and social investment instruments. They can help mitigate the effects of a sharp systemic crisis on vulnerable groups. Social assistance is a vital instrument in facing the economic crisis to come.

As 'protectors of last resort', governments are best placed to provide large-scale emergency assistance and services. National budgets normally set aside 1–2 percent of GDP for these eventualities. All the indications are that COVID-19 will require resources several times this amount and will represent a significant challenge to governments' capacity to discharge their 'protectors of last resort' function.

## **Social Protection Responses to COVID-19**

Most governments in the region have responded to COVID-19 with a package of interventions. Here the focus is on social protection. The main responses are summarised in Table 1.

Governments in the region have strengthened social assistance provision for low-income and informal groups by raising the value or the reach of existing family income transfer programmes. Established family income transfers have proved critical in mitigating the impact of COVID-19 among low-income and vulnerable groups. And the institutional tools developed to implement them, social registers especially, have proved essential for designing and implementing additional policies focused on vulnerable groups (Barrientos, 2019a).

Table 1 shows that most countries in the region have also introduced emergency income transfers directed at informal and low-income workers and their families. They are intended to mitigate hardship and facilitate compliance with the lockdown. They are temporary and have soft selection processes. The Economic Commission for Latin America (ECLAC) has called for all countries to provide a basic emergency income transfer equivalent to the poverty line for all families in poverty in 2020 (215 million or 34.7 percent of the population), initially for a six-month period but with a view to making them permanent depending on countries' capacity (ECLAC, 2020).

Governments have mandated support for formal sector workers, where social insurance schemes are in place. Mandates have facilitated access to sickness leave and benefits for those directly affected by COVID-19 or provided care for people directly affected. A handful of governments have sought to strengthen job retention for workers in formal employment by subsidising wages of workers facing shorter hours or enforced leave. There is limited information at present on the scope and effectiveness of their implementation. In countries with individual retirement savings accounts, or unemployment savings accounts as in Brazil, governments have mandated special allowances for fund withdrawals.

School meals are not included in Table 1, as they are educational interventions. However, the fact that they are targeted on vulnerable children has provided a very direct channel to reach vulnerable households in the lockdown. Given the temporary closure of schools, local authorities have delivered food parcels directly to families or transferred money instead.

**Table 1.** Social Protection Policy Responses (1 June 2020)

	Family transfers	Social pension	Emergency transfer	Paid leave	Wage subsidy	Pension scheme
Argentina	x1	x1	x	x	x	x1
Bolivia	x1		x	x		
Brazil	x2		x		x	
Chile			x	x		x3
Colombia	x1	x2	x		x	
Costa Rica		x2	x			
Cuba				x		
Dominican Rep.	x12		x	x	x	
Ecuador			x			
El Salvador			x	x		
Guatemala		x2	x		x	
Honduras						
Mexico						
Panama				x		
Paraguay	x1	x2				
Peru		x1	x			x3
Uruguay					x	x3
Venezuela	x1				x	
	Low-income/Informal employment			Formal employment		

Sources: IPC-PG [2020] *Social protection in time of #Covid-19*, several weekly newsletters available at <https://socialprotection.org/connect/communities/social-protection-responses-covid-19-task-force/4-newsletter-social-protection>; Gentilini, U. et al. [22 May 2020] *Global social protection covid response* v.10 available at <https://www.ugentilini.net/>; and government websites.

Notes: x is new COVID-19 related intervention; x1 is increase in value of transfer of pre-existing interventions; x2 is increase in number of beneficiaries of pre-existing interventions; x3 represents permitted withdrawals from individual saving account.

## Social Protection and the Economic Crisis

It is too early to undertake an assessment of the effectiveness of government responses. Data for the single most important outcome, mortality rates, are not yet in the public domain. Moreover, data on reported COVID deaths are influenced by country-specific protocols (Roser et al., 2020). Data on ‘excess’ deaths (deaths from all factors minus the average of the last five years) will enable a more precise measure of effectiveness. Poverty data are normally estimated from surveys collected yearly and might not be available for some time.

With few exceptions, governments in the region responded to the COVID-19 crisis by shielding their most vulnerable populations. There are some outliers. The limited scope of interventions from the new Mexican governments reflects a paradigmatic shift in social protection policy towards supporting (physical) asset accumulation.

Are these immediate responses further evidence of a change in governments’ attitude to less advantaged groups in the region? Are they a reflection of renewed social contracts? To an extent they are. Social assistance programmes have been strengthened everywhere. But caution should be exercised not to push this interpretation too far. In the short term, these initiatives are an immediate response to the health crisis. Emergency family transfers act as an incentive for disadvantaged groups to comply with the lockdown,

especially in circumstance where compliance is hard to sustain (Brown, Ravallion and Van de Walle, 2020).

The coming economic crisis will provide a test of whether governments in the region will continue to give sufficient priority to protecting disadvantaged groups. ECLAC forecasts that economic disruption will lead to increases in poverty and unemployment in all countries. It estimates that 438 million people or 77 percent of the population in the region live on incomes below three poverty lines and are therefore vulnerable to a deep economic crisis. This scenario calls for a very significant expansion of social protection provision. The ‘alphabet’ debate around the path of the economic crisis – ‘V’, ‘W’, ‘K’ or ‘U’ – aptly describes the current uncertainty surrounding the extent of any adjustment to the global economy.

As regards social protection, successfully combining social investment with protection of livings standards will be key to the speed of recovery. Beyond specific policy instruments, a social protection strategy for the region needs to be grounded in social justice. In the context of Latin America, social justice requires large inequalities in social protection provision to be addressed, overcoming the divide between population groups supported by employment-based schemes and those supported by social assistance (Barrientos, 2019b).

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