

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**EMPLOYMENT ACTION FRAMEWORK WITH GENDER PERSPECTIVE**

**IDB GROUP**

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In accordance with the IDB's Access to Information Policy and the IIC's Access to Information Policy, this document is being released to the public and distributed to the Bank's Board of Executive Directors simultaneously.

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## ABBREVIATIONS

ADV/GDI	IDB Invest Advisory Services Division/Gender, Diversity, and Inclusion
COVID-19	Coronavirus Disease 2019
DSP	IDB Invest Strategy and Development Department
ECLAC	Economic Commission for Latin America and the Caribbean
GDLab	IDB's Gender and Diversity Knowledge Initiative
GDP	Gross domestic product
GPI	Gender Parity Initiative
IDB	Inter-American Development Bank
ILO	International Labour Organization
IMF	International Monetary Fund
INEGI	Instituto Nacional de Estadística y Geografía [National Statistics and Geography Institute]
INO/ADV	Investment Operations Department/Advisory Services Division
IOM	International Organization for Migration
IRENA	International Renewable Energy Agency
KIC	IDB Knowledge, Innovation, and Communication Sector
LAB/STI	IDB Lab Strategy and Impact Unit
LAC	Latin America and the Caribbean
LGBTQ+	Lesbian, gay, bisexual, transgender, and queer
MSMEs	Micro, small, and medium-sized enterprises
NSG	Nonsovereign guaranteed
OECD	Organisation for Economic Cooperation and Development
ORP	IDB Office of Outreach and Partnerships
pp	percentage points
RES	IDB Research Department
RPD	Regional Policy Dialogues
SCL	IDB Social Sector
SDGs	Sustainable Development Goals
SG	Sovereign guaranteed
SMEs	Small and medium-sized enterprises
STEM	Science, technology, engineering, and mathematics
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
VPC	IDB Vice Presidency for Countries
WEF	World Economic Forum
We-Fi	Women Entrepreneurs Finance Initiative
WEP	Women Empowerment Principles

## EXECUTIVE SUMMARY

- (i) **The IDB Group’s Employment Action Framework with a Gender Perspective.**<sup>1</sup> This document sets out the Employment Action Framework with a Gender Perspective (Employment Action Framework) of the Inter-American Development Bank (IDB), IDB Invest, and IDB Lab (together the IDB Group) for Latin America and the Caribbean (LAC). The objective is to recover, create, and transform employment in the region with a gender perspective. To this end, this action framework proposes coordinating the current IDB Group instruments to guide IDB Group Management in preparing reimbursable and nonreimbursable operations, as well as in implementing nonoperational activities, in accordance with the IDB Group’s current policies and procedures. The Employment Action Framework will be in effect for an initial period of four years. Prior to the completion of this period, Management will conduct an analysis of its results, and based on this analysis, will determine the need to extend its effective term. The document containing the above-described analysis will be distributed to the Boards of Executive Directors of the IDB and IDB Invest for their information.
- (ii) **The Employment Action Framework is aligned with Vision 2025: Reinvest in the Americas: A Decade of Opportunity.** This Framework forms an integral part of Vision 2025 inasmuch as it supports the goal of working toward a sustainable and inclusive economic recovery. This is evident in the framework’s contribution to the three pillars of Vision 2025: (i) reactivate the productive sector; (ii) promote social progress; and (iii) strengthen good governance and adequate institutions. Promoting more and better jobs is central to the agenda for economic recovery and growth of the countries, which makes this action framework a key instrument within Vision 2025 and a means of reinforcing the IDB Group’s activities in the region. In addition, by having a gender perspective and thus proposing specific actions and solutions to break down the existing barriers to women’s participation in the labor force and fostering women’s empowerment, this action framework is fully aligned with Vision 2025’s strong emphasis on promoting gender equality and diversity, empowering women. Lastly, the Action Framework is aligned with the crosscutting challenges of gender equality and diversity, institutional capacity, and rule of law set out in the Update to the Institutional Strategy (document AB-3190-2).
- (iii) **The need for this Employment Action Framework stems primarily from the COVID-19 pandemic.** While some of the issues addressed in the Employment Action Framework are covered in existing IDB Group documents such as the Labor Sector Framework Document, the Gender and Diversity Sector Framework Document, the Gender Action Plan, and the Skills Development Sector Framework Document, there are several reasons that make this action framework necessary. The main reason is the enormous impact created by the pandemic on the labor market and women’s employment, requiring the IDB Group to accelerate actions aimed at recovering employment with a gender perspective. In increasing the pace of these actions, all available levers should be used to transform employment in the region, capitalizing on the existing synergies within the IDB Group. The second reason is that the institutional priorities of women’s empowerment and employment

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<sup>1</sup> The IDB Group comprises two separate legal entities: the Inter-American Development Bank (IDB) and the Inter-American Investment Corporation (IIC), which in 2017 rebranded as IDB Invest. The Multilateral Investment Fund (MIF), which rebranded as IDB Lab, is a trust fund administered by the IDB.

require the entire IDB Group to establish a baseline, a measurement methodology, and targets regarding the IDB Group's contribution to employment, with a particular emphasis on women's employment. Despite occasional, piecemeal efforts by the IDB Group to measure its contribution to job creation in the region, there has been no comprehensive or consistent action, and none of the abovementioned documents addresses this issue. In this way, the Action Framework complements documents like the Gender Action Plan and the aforementioned Sector Frameworks.

- (iv) **More jobs have been destroyed during the pandemic than in any previous crisis in the region.** From February to June 2020, total employment fell by 14% (at least 30 million jobs).<sup>2</sup> Since that time, almost half of the jobs lost have been recovered. In addition, this crisis, has strongly affected women's employment. According to the Bank's COVID-19 Labor Market Observatory, between February and September 2020 women's employment fell by 17.7% while men's employment declined by 13.1%. This difference is partly due to the fact that women work in sectors that were more vulnerable to this crisis.<sup>3</sup> Moreover, the suspension of in-person activities in the educational and caregiving areas meant an increase in activities in the home, for which women are disproportionately responsible.<sup>4</sup>
- (v) **Without bold employment action, at least a full generation of LAC citizens will be unable to reach its highest potential, and many of these citizens are women.** What is needed is not only to quicken the pace of job recovery in the short term, but to work on developing the enabling factors<sup>5</sup> required to ensure that the jobs that are created are quality jobs.<sup>6</sup> This entails overcoming the structural challenges that characterize labor markets in the region: low productivity, high informality, large gender gaps, and more recently, the threat of technologically driven unemployment resulting from the growing adoption of new technologies. But not all technologies destroy jobs. The region should take advantage of the positive impacts of the crisis, such as the rapid adoption of new technologies and work modalities, to transform jobs and develop a labor force that can meet the challenges of the future, including greater digitalization, more telework, and other technological advances that have gained momentum over the past year and are now here to stay. Similarly, the region should capitalize on the job opportunities available in emerging sectors, including energy transition, bioeconomy, care economy, and silver economy jobs.

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<sup>2</sup> Data from the IDB [COVID-19 Labor Market Observatory](#).

<sup>3</sup> The effect of the pandemic on employment has not been homogeneous across all sectors of the economy. Restrictions on movement and social distancing policies affected some sectors more than others. In Argentina, Brazil, Chile, Colombia, and Mexico, job losses were mostly concentrated in the commerce, tourism, and gastronomy sectors, which have a high share of female employment (IDB, 2020b).

<sup>4</sup> Significant gender gaps existed before the pandemic: women in the region devoted more than twice the number of hours to nonremunerated domestic and caregiving responsibilities than their male peers (Bustelo et al., 2020). The evidence since the onset of the pandemic indicates that the rise in domestic and caregiving chores during the crisis has [intensified the unequal division](#) of nonremunerated labor in the home. This overload affects not only women's decision to participate in the labor force but also the intensity of their participation and the possibilities of professional advancement in the future.

<sup>5</sup> These enabling factors include skills development, changes in labor and tax laws and regulations to reflect the 21st century reality, and digital transformation.

<sup>6</sup> In this document, "quality jobs or employment" means jobs that pay sufficiently well to allow workers and their families to form part of the middle class and have access to social security and basic labor protections.

- (vi) **One of the structural challenges that the Employment Action Framework will address with intensity and intentionality is the lack of equal access to employment opportunities for men and women.** The structural challenges include a labor force participation gap of 25 percentage points (pp) between men and women (on average in the region), with positive, but still slow progress (increases of only 0.32 pp per year), and wage gaps of 18% (adjusted for observable factors). An economic recovery from the crisis created by the pandemic requires specific actions aimed at tackling the structural causes that prevent women's full participation in the labor market and closing the gender gaps. Some of these structural problems relate to women's abilities, skills, and contacts for accessing the labor market (such as lower participation in science, technology, engineering, and mathematics (STEM) careers). Others are labor market issues (lack of incentives, discrimination), while still others have to do with obstacles arising from social norms, such as the question of reconciling family and professional life. During the pandemic, these problems became more acute due to three factors: (i) women were overrepresented in the sectors hardest hit by the pandemic; (ii) caregiving chores and providing support for distance learning fell disproportionately on the shoulders of women; and (iii) women were already at a disadvantage in terms of digital skills, and these were type of skills most in demand during the pandemic. There are other issues that impair women's labor participation and their integration into formal employment and more productive and better-paying jobs, such as gender biases present from the first years of formal education, gender violence inside and outside the home, and lack of citizen security. While these issues are highly important, the Employment Action Framework will focus on actions related to what occurs in the labor market and will dovetail with the actions set out in the Gender and Diversity Sector Framework Document and in the Gender Action Plan in terms of guidelines and actions other than in the labor market.<sup>7</sup> It is worth noting that the negative trend observed during this crisis, in terms of a growing inequality between men and women, cannot be reversed without a clear intent to tackle the underlying causes of labor market inequalities.
- (vii) **Improving women's access to, and opportunities in, the labor market is not only an equity issue but also a chance for the region's economies to use their resources most efficiently for sustainable growth.** At the micro level, the evidence shows that a business that includes more women is associated with greater productivity and innovation, better risk management, greater talent retention, and more homogeneous policies that favor all employees and support diversity, and stronger team dynamics, among other characteristics (Lorenzo et al., 2018; McKinsey, 2015; Christiansen et al., 2016; Tacheva et al., 2006; Woolley et al., 2010). Since women bring different aptitudes to the workplace, the advantages of greater female participation in the labor force in terms of productivity and growth are significant. According to research by the International Monetary Fund (IMF), closing the gender gap in Latin America and the Caribbean could raise the region's gross domestic product (GDP) by an average of 22.5%, which is equivalent to the combined GDP of Argentina, Colombia, and Peru. Four fifths of this increase would be a result of adding workers to the labor force, but one fifth of the increase would be due to the complementarity effect of both genders' labor

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<sup>7</sup> The Gender and Diversity Sector Framework Document and the Gender Action Plan highlight actions dealing with areas that are outside the labor market but affect the results in this market.

participation on productivity (Ostry et al., 2018). If nothing is done about it, the region risks undoing the progress achieved in previous decades in reducing poverty, inequality, and gender gaps.

- (viii) **The interventions to accelerate employment recovery first include mitigation policies, followed by comprehensive recovery instruments to overcome the main obstacles to job creation.** The IDB Group will continue to support the countries in implementing **mitigation policies** to help companies maintain or create jobs and cushion the impact of the recession on workers and their families.<sup>8</sup> It is likely that the mitigation measures will need to be kept in place over the foreseeable future, or be eliminated and reinstated during subsequent waves of infection.<sup>9</sup> In the medium term, the countries will need to move from mitigation policies to **comprehensive recovery efforts to overcome the main obstacles preventing the creation of good jobs.** The IDB Group will support the countries in promoting an ambitious employment recovery and job creation agenda in the region based on policy responses to the pandemic. The countries' response to the pandemic has largely consisted in helping workers and their families by means of cash transfers. What is now needed is to implement programs and investments on a sufficiently large scale to speed up the global economic recovery in emerging sectors such as the digital economy and the green economy, improving skills and supporting innovation and business transformation.
- (ix) **Thematic areas of intervention.** The Employment Action Framework will accelerate actions aimed at tackling the cyclical as well as the structural challenges on the road to job recovery, creation, and transformation, applying a gender perspective. These short-, medium-, and long-term interventions will focus on three areas: **(i) support to businesses and entrepreneurs:** by way of an immediate reaction to the crisis, the IDB Group's actions will be aimed at protecting the productive fabric and specific business-worker capital, creating incentives to maintain and protect jobs, and facilitating the hiring processes, with an emphasis on women's jobs. In addition, the interventions will work on boosting employment recovery and creation with a gender perspective, providing financing for investment in capital goods and working capital, access to markets and technical assistance for businesses (primarily high-growth businesses, women-owned micro, small, and medium-sized enterprises (MSMEs),<sup>10</sup> and women-led startups) in innovation, digital transformation, and development of active workers' skills, including business skills. Along similar lines, the interventions will support young companies with a high STEM component and/or high technology use that show initial signs of potential for accelerated creation of quality employment, particularly for women. These businesses will be supported either directly or through financial

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<sup>8</sup> To help businesses maintain their productive capacity, the IDB Group has supported the delivery of liquidity, wage subsidies, and labor agreements such as workday reduction programs. In the case of displaced workers, personal income has been boosted through transfers, guidance and intermediation services, and considerable investments in skills development.

<sup>9</sup> It is worth mentioning that [the fiscal health of the countries](#) should be taken into account when adopting these measures. Economic reactivation through the use of public resources should be reviewed and adapted to provide support to those workers and businesses that need it most and to discontinue support that is no longer required, thereby freeing up resources to finance others capable of having a high impact on economic recovery.

<sup>10</sup> Particular emphasis should be placed on supporting women-owned MSMEs, since it is harder for women to attract capital, penetrate value chains, and develop technological and digital capabilities (Ellis et al., 2010).

and nonfinancial intermediaries. In addition, the interventions will support the necessary processes and change management to enable the businesses to be restructured, transform and/or improve employment quality, increase the diversity of their suppliers in value chains (specifically by purchasing from MSMEs owned or led by women or members of diverse groups such as indigenous peoples, Afrodescendants, migrants, persons with disabilities, or LGBTQ+ persons), and boost women's employment. In the medium and long term, the interventions will support strategies for sustainable and inclusive business growth in high-growth and/or emerging sectors (such as climate change, bioeconomy, renewable energy, clean transportation, assistance to persons with disability and older adults, child care centers, preschool services, agtech, biotech, healthtech, edtech); **(ii) support for human talent development:** in the immediate term, the Employment Action Framework will focus on preventing the human capital of workers from depreciating, fostering a quick reallocation of workers from declining sectors to emerging sectors, transitioning newly graduated individuals into the labor market, and containing the negative effects of COVID-19 on future generations of workers. It is important to gain an in-depth understanding of the expected changes in the labor market, how technology will not only change the way we work but also determine which jobs will continue to exist over time, which will disappear, and which will be created. Based on this analysis, the aim is to prepare individuals for the jobs of the future. This should be done with a gender and diversity perspective, ensuring that women are not overrepresented in low-productivity or informal employment and do not remain too long outside the labor market. At the same time, work will be done on creating the skills required for the jobs of the future, using new means of providing training, making it possible to reach scale in a short time and expand the number of trained women. Thus, the IDB Group will seek to support innovative training models that offer new solutions to the challenge of developing 21st-century skills and remedial support programs to close the learning gaps and mitigate the school dropout created by the crisis. In addition, businesses will be assisted in developing policies and programs to attract, retain, and develop human talent, with an emphasis on promoting women and diversity. In the medium and long term, the IDB Group's interventions will support the implementation of digital and hybrid labor intermediation and training systems, pay-for-success programs to employ vulnerable populations (such as migrant persons), and skills development culminating in industry-sponsored certifications. Moreover, the interventions will promote the acquisition of skills by young people who are in secondary school and constitute the new generation of workers in the region. Work will be done on vocational guidance programs and on providing information in secondary schools and other environments to encourage more women to specialize in STEM, promoting a new generation of women in these areas; and **(iii) laws and regulations to improve the functioning of the labor market and foster business growth:** in the immediate term, the Employment Action Framework will support adapting legislation, regulations, and institutions to the circumstances of the COVID-19 pandemic to ensure that the current gender gaps do not continue to widen and the workplaces comply with the health guidelines issued by the national authorities. This action framework will promote investments to reopen schools and care centers, and changes in flexible employment, telework, and part-time work regulations as well as in laws to protect and maintain jobs, with particular emphasis on women's employment. In addition, better benefits, protections, and rights will be structured for independent workers (such as

household workers) and platform workers, especially those most vulnerable, through technological innovations (workertech).<sup>11</sup> In the medium and long term, actions will be activated to strengthen and digitalize labor market, tax, and social protection institutions, with an emphasis on creating incentives that promote equal opportunities for men and women in terms of employability and access to jobs (such as support regulations for breastfeeding at work and remunerated parental leave, and incentives for companies committed to gender equality in employment, wage parity, and leadership). Changes will be made in the social protection and security systems, labor laws (lowering nonwage costs), and taxation systems, introducing actions that encourage women's participation in the labor force. In addition, the IDB Group will support the long-term development of quality care systems, as well as actions that allow workers in this sector to transition to formal employment arrangements. It will also promote enforcement of laws that prohibit discrimination by gender or against other vulnerable groups. The interventions will also seek to strengthen the labor rights of vulnerable groups such as household workers, most of whom are women.

- (x) **Value added of the IDB Group.** The Employment Action Framework serves as an umbrella to accelerate the IDB Group's actions in a crosscutting fashion in the area of job recovery, creation, and transformation with a gender perspective, expanding and enhancing the potential and quality of the IDB Group's operations and technical assistance. As the region's most important multilateral source of development finance, the IDB Group offers a series of comparative advantages in terms of coordinating, through a multisector approach, the three thematic areas of intervention of the Employment Action Framework, as well as in terms of attracting supplementary finance and generating knowledge for sectoral dialogue and technical support. The IDB Group has various comparative advantages in topics under the three pillars, notably the value that its clients say they get from technical and financial support both through subsidies and loans to businesses and entrepreneurs for the recovery and creation of quality jobs; the value clients place on the support the IDB Group provides for building skills to fluidly shift to emerging industries; the IDB Group's extensive experience providing support for reformulating labor laws and regulations and social insurance systems. All of this, coupled with the fact that the IDB Group has the capacity to include specific actions on gender, makes it the partner of preference for the region on employment generally and women's employment specifically. In this regard, the action framework's value added is its ability to have a positive impact on the region in the context of the COVID-19 pandemic, which this unprecedented employment crisis and its particularly harsh blow to women's employment requires. Thus, the IDB Group will provide value added to the region, primarily by boosting its impact through joint efforts and increased action in this area, innovating and identifying synergies. At the institutional level, the launch and implementation of the Employment Action Framework will become an opportunity to: (i) coordinate the IDB Group's actions around the issue of job recovery, creation, and transformation with a gender perspective; (ii) improve operations to maximize their impact on employment, with an emphasis on jobs for women; and (iii) begin to measure the

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<sup>11</sup> WorkerTech is an emerging concept associated with the new employment modalities, and is defined as the supply of digital services that capitalize on the power and convenience of technology to offer customized services to independent workers with flexible modalities while facilitating their access to systems for the protection and defense of their rights.

IDB Group's impact on the region in terms of job creation while disseminating the IDB Group's efforts in this area. Regarding the latter point, there is not yet a standardized, systematic methodology in the IDB Group for measuring employment. Although there have been different efforts to measure this, they have not gained critical mass at the institutional level. So, an indicator has not been officially adopted, which is a factor in there not being a baseline. The action framework opens up a very valuable avenue for discussion, setting standard indicators, and establishing a baseline to measure IDB Group support for employment in the region, as well as for measuring the outcomes achieved in the years ahead.

- (xi) **Instruments.** To implement the Employment Action Framework and fulfill its goals, the IDB Group envisages a comprehensive use of its entire range of financial and nonfinancial instruments.<sup>12</sup> Financial instruments include: (i) loan, guarantee, and reimbursable technical cooperation operations, both sovereign- and non-sovereign guaranteed; (ii) equity investments; (iii) reimbursable technical cooperation operations; (iv) investment grants and nonreimbursable technical cooperation operations; (v) gender and diversity bonds; and (vi) blended finance. In addition to the above, the IDB Group may supplement its support to the countries using nonfinancial instruments, which may include: (i) studies and applied research; (ii) formation of regional and global partnerships with relevant international and local organizations; (iii) regional policy dialogues, training, and promotional events; and (iv) IDB fee-based advisory and knowledge services, and IDB Invest advisory services for businesses.
- (xii) **Resource mobilization.** The investment needs in LAC exceed the capacity of both the region's governments, affected as they are by sharp fiscal restrictions in a post-COVID-19 scenario, and the development banks. Accordingly, it is essential to mobilize funding from public and private donors, as well as leverage resources from other bilateral and multilateral development agencies, to supplement the IDB Group's own resource allocation to the Employment Action Framework. The Office of Outreach and Partnerships (ORP), in coordination with the Social Sector, will prepare a strategy and direct the resource mobilization activities in any of the intervention areas and support modalities of the Employment Action Framework.
- (xiii) **Technical coordination.** The IDB's Social Sector (SCL) will act as technical coordinator for the Employment Action Framework. For IDB Invest operations, the IDB Invest Strategy and Development Department (DSP) will act as the focus point. For IDB Lab operations, the IDB Lab Discovery Unit will act as technical coordinator and the Strategy and Impact Unit (LAB/STI) will act as the focus point for monitoring. SCL, as well as DSP and LAB/STI, will annually record the operations that are aligned with the Employment Action Framework out of the respective reimbursable, nonreimbursable, and investment grant operations, whether using IDB Ordinary Capital and IDB Invest resources or IDB Lab resources and donor resources administered by the IDB, IDB Invest, or IDB Lab. This governance mechanism is aimed at optimizing and boosting IDB Group support for projects designed to drive job recovery, creation, and transformation with a gender perspective in the region. Centralizing governance in a sector of the IDB and coordinating with IDB Invest and IDB Lab will not only ensure technical

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<sup>12</sup> Each of the instruments mentioned in this paragraph will be used in accordance with each IDB Group member's capacity, guidelines, and use authorization.

quality and rigorous alignment of the financed operations and nonoperational activities, but also make it easier to identify them and provide accountability to stakeholders. Opportunities for alignment of activities and operations will be identified in close collaboration with the sector divisions and country departments, using the existing tools for portfolio programming and review. The communication and knowledge generation strategy of the Employment Action Framework will be coordinated by SCL in collaboration with the IDB's Knowledge, Innovation, and Communication Sector (KIC), Research Department (RES), and Vice Presidency for Countries (VPC).

## I. ACCELERATING EMPLOYMENT REACTIVATION WITH A GENDER PERSPECTIVE AS A CORE PILLAR OF ECONOMIC RECOVERY

- 1.1 **Reactivating employment in the region is essential for economic recovery.** At the same time, it needs to be done without neglecting the structural problems of the labor market: high rates of informality, low productivity, and more recently, the impact of new technologies such as automation and digital platforms. These structural problems are coupled with other issues strictly related to gender inequities, such as women's low participation in the labor market, gender pay gaps, occupational segregation, and women's underrepresentation in leadership positions, among others. In addition, gender gaps have been documented as part of the informality, productivity, and technology challenges.
- 1.2 **Before the pandemic, the LAC countries suffered from structural and persistent labor problems, including a high rate of informality.** In 2018, 42% of employment in the region was formal, only 5 pp higher than 20 years earlier, although with sizable country-to-country differences that remained practically unchanged over the last two decades. On one extreme, Chile and Uruguay had formality rates of around 70%, while on the other, Bolivia, Peru, and Nicaragua reported a formal employment rate of 20% (IDB, 2020a). More than 140 million labor market participants had no risk protection and were not covered by the umbrella of labor legislation (Salazar-Xirinachis and Chacaltana, 2018). In addition, there are large flows of workers between the formal and informal sectors. On average, around 25% of workers move from formal to informal jobs within a period of one year (Maloney, 2000; Alaimo et al., 2015), which means that the proportion of workers who have continuously formal jobs is even lower. According to the [Better Jobs Index](#), the gender gap in Latin America is 22.5%, and in the quality dimension, which includes formality rates and the rate of jobs with sufficient wages to overcome poverty, men outdistance women by 17.3 pp.
- 1.3 **The COVID-19 pandemic has revealed the structural vulnerabilities of the large labor markets in the region and the limitations of the social protection systems.** While most of the countries provided emergency cash transfers to informal workers (Busso et al., 2020), these transfers did not fully offset the lost income, nor did they reach all those who needed them. In addition, during the pandemic, other characteristics of the informal labor markets further constrained the limited capacity of governments to mount an effective response to the crisis (Busso et al., 2020; Díaz Cassou et al., 2020). Many informal workers lack bank accounts, particularly women,<sup>13</sup> preventing quick delivery of financial assistance. Moreover, being part of the vulnerable or emerging middle-class population, most informal workers were not included in the social registries or in the lists of beneficiaries of social programs aimed at the population living in poverty and extreme poverty. As a result, identifying and registering them to enable them to receive support was a challenge for all countries. Furthermore, the issue of informality has added a layer of complexity to the containment policies. Without access to coverage against the risk of job income

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<sup>13</sup> The proportion of women to men who have a bank account is 0.84 (Demirguc et al., 2018).

loss (such as unemployment insurance)<sup>14</sup> or to sick or medical care leave, informal workers and many formal workers, especially women, who traditionally have less coverage, were unable to remain at home and abide by the preventive public health measures (Bottan et al., 2020). At the same time, the growth of the platform economy means that millions of people are finding new sources of income and making a life for themselves through a broad variety of nonconventional labor relationships, further challenging the governments to transform their protection arrangements to encompass informal workers as well as those working in the new platform economy.

- 1.4 **Today, to think only in terms of traditional jobs (involving a single employer and lengthy contracts) is to ignore millions of people who find sources of income through a broad variety of nonconventional labor relationships.** The region requires a more widespread adoption of flexible work modalities, promoting their use not only by women but also by men.<sup>15</sup> During the harshest lockdown periods, many people moved to jobs in the digital platform economy, especially in the area of food delivery (Madariaga et al., 2020), becoming essential workers.<sup>16</sup> Their leading role also served to highlight the employment conditions of platform workers, opening up a debate on the employer-employee relationship under the business models of platform enterprises and on how to improve these new job modalities and make them more resistant so as to guarantee economic and labor security for these workers. Many migrants have joined this type of platform work, particularly on-demand jobs, since they generally have limited access to quick employment opportunities, especially when their status in the host country is irregular.
- 1.5 **Approximately 1.5 million migrants in the region have an irregular immigration status, which affects their opportunities for access to quality employment.** In Ecuador, Colombia, Peru, and Costa Rica, the proportion of migrants with irregular status is respectively 74%, 56%, 25%, and 25% (Abuelafia, 2020).<sup>17</sup> In mid-2020, men outnumbered women by a slight margin (50.5% vs. 49.5%) among international migrants in LAC (DAES, 2020). Having an irregular immigration status affects the quality of life of migrants, reducing their access to social services and their opportunities for formal employment. Migrants are more likely to take jobs requiring

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<sup>14</sup> The region lacks comprehensive systems that protect workers from risks such as job loss while at the same time fostering their present and future employability (Alaimo, 2014). Only eight countries in the region have unemployment insurance. In the rest of the countries, the only protection available to workers in the event of unemployment is that afforded by labor regulations (such as severance pay).

<sup>15</sup> European evidence (Kato, Ogawa, and Owan, 2016; Spiegelaere and Piasna, 2017) shows that men use this flexibility to invest in their careers and grow professionally, while women use it to take care of the home.

<sup>16</sup> In Chile, Rappi expanded to 7,000 active delivery persons per day out of 55,000 registered delivery persons (prior to the pandemic, the ratio was 4,000 active out of 40,000 registered delivery persons), and PedidosYa increased the number of active delivery persons by 20% in May 2020. Cabify has grown the number of drivers in its Easy Taxi category by 78% since March 2020. DiDi has added more than 17,000 registered drivers to the company's express service since March. A recent analysis by Workana revealed that the number of freelancers in Latin America grew by 42%.

<sup>17</sup> The migrant population is on average younger and better educated than the local population. The participation rate of migrants exceeds 80%; thus, migrants could provide a potentially significant demographic dividend in countries characterized by an aging population, or complement the skills of local workers.

skills that are less complex than, or different from, those they were trained to perform (Blyde et al., 2020). A study conducted before the pandemic showed that the informality rate among migrants is 65%, compared to 50% in the rest of the population (Blyde et al., 2020), and their wages are generally lower.<sup>18</sup> In the context of the pandemic, women migrants are among the most heavily affected by the impacts of COVID-19 by reason of holding jobs that require physical contact. In all, 17.2% of all remunerated household workers in Latin America are migrants, and the vast majority of them are women. Although these workers play a crucial role in mitigating the “care crisis” unleashed by the pandemic, they face an absence of, or failure to comply with, labor laws and regulations in most countries (IOM/ECLAC, 2020). The risk of trafficking in women has also increased since, under lockdowns, crimes are easier to conceal and cases are more difficult to identify, among other factors (IOM/ECLAC, 2020).

- 1.6 **In the last 30 years, labor productivity in the region grew at a sluggish pace of about 1% per year.** Even the region’s most productive countries are well below the productivity frontier. Some countries have been stagnating for 30 years at negative or zero productivity growth. An increase in women’s participation in the labor force is a way of expanding productivity and growth. According to recent estimates, economic production in Latin America and the Caribbean would be 22% higher if the labor force participation gap between men and women were to be closed (Ostry et al., 2018), this percentage increase being equivalent to the combined GDP of Argentina, Colombia, and Peru. The region lacks three key components needed to generate healthy productivity growth: skills, innovation, and a suitable business environment (Bosch et al., 2021). A high percentage of the workforce in Latin America and the Caribbean lacks the skills needed to be productive. In individuals who are graduating and entering the labor market, there is a disconnect between the skills they have been taught in school and those required in the workplace (IDB, 2020c; Accenture, 2018). At the same time, it has been shown that the skills possessed by adult workers are also insufficient.<sup>19</sup> In addition, on average, the region has lower management scores and poorer business management than more developed regions (Lederman et al., 2014). With regard to the adoption of technologies and innovation, Latin America and the Caribbean presents an uneven picture. While some progress has been achieved in terms of technological diversification and broadband penetration in urban and rural areas, there are significant barriers to the adoption of new technologies and innovation. In the first place, the labor force’s lack of training prevents the adoption and effective use of new technologies (Benavente et al., 2016). Moreover, the low wages make it less attractive for businesses to introduce technological innovations. Innovation is also limited by the fact that most businesses in the region are small and medium-sized

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<sup>18</sup> The impact of migrant wages on the local population’s wages tends to be relatively low, matching the data shown by research in developed countries (Blyde et al., 2020). In Colombia, 64% of recent migrants earn less than the minimum wage (DANE, 2018); in Ecuador, the equivalent proportion is 86% (IOM, 2019); in Peru, 18% of the migrant population lives in poverty (Rossiasco Uscategui, 2019); and in Costa Rica, there are gaps in average wages between Costa Ricans and migrant Nicaraguan populations across all occupations, but particularly in the highest-skill jobs (Mora Román and Guzmán, 2018).

<sup>19</sup> In all, 56% of adults in Chile, Ecuador, Mexico, and Peru perform poorly in literacy and arithmetic. Furthermore, these countries rank toward the bottom among the 39 countries that participate in the Programme for the International Assessment of Adult Competencies of the Organisation for Economic Cooperation and Development (OECD) (IDB, 2020c).

enterprises (SMEs) with little capacity to innovate. For example, in Peru, only 27% of businesses have introduced new technologies, and that proportion drops to 7% in the case of technologies other than advanced network services (Novella et al., 2019).<sup>20</sup>

- 1.7 **Tax systems and labor regulations generally affect the growth of businesses and the efficiency of capital and labor allocation, and they may also affect productivity growth by preventing the reallocation of resources from less productive to more productive businesses.** In LAC countries, these effects can be considerable (Pagés, 2010). An example of this is the prevalence of simplified tax systems that benefit microenterprises and small businesses and perhaps reduce formalization costs for businesses, but which also limit their growth. For example, in Peru, a simplified tax system based on size leads businesses to position themselves below the size threshold that determines eligibility (Azuara et al., 2019). With regard to labor regulations, the excessive costs of employment formalization (Alaimo et al., 2017) and the uncertainty as to the costs of dismissals can lead to significant distortions and discourage business growth (Alaimo et al., 2015; Kugler, 2004). In addition, there is limited access to credit. Domestic lending to the private sector accounts for 47.4% of the region's GDP, compared to 198% in the United States. Microenterprises and SMEs face a financing deficit equivalent to 41.7% of the regional GDP (Herrera, 2020). Even before the COVID-19 pandemic, it was difficult for micro, small, and medium-sized enterprises (MSMEs) to obtain access to credit, resulting in a financing deficit estimated at US\$1.8 billion and equivalent to 41.7% of regional GDP (Herrera, 2020). There is an entrepreneurship gender gap in Latin America, where most women-led businesses are in the service sector and tend to be smaller than those run by men, with fewer employees, lower earnings, and more limited access to the capital required to be scalable (Bartesaghi et al., 2016). Not one Latin American economy ranks among the top 50 in the World Bank's Doing Business index.
- 1.8 **Recent decades have witnessed major progress in the employment status of women in the region, but there are persistent economic gender gaps.** Women's participation in the labor force continues to be 25 pp below that of men, and the gap widens to 40 pp in the case of men and women with children under 5 (ILO, 2019a; Bustelo et al., 2019). However, over the last 30 years, the average women's participation rate has experienced a sustained and unprecedented upward trend, going from 41% in early 1990 to 50.9% in 2019, growing at a faster pace than in any other region in the world (ECLAC/ILO, 2019). This influx into the labor market has taken place in a context of disadvantage and inequality for women, which before the pandemic was evidenced by: (i) higher unemployment, reflected in an unemployment rate of 10.2% for women compared to 7.3% for men during the first three quarters of 2019 (ILO, 2020a); (ii) occupational segregation, where women are a majority in the communal, social, and personal services sector (64%) and have a significant presence in the financial services sector (43%), but are practically absent in construction (3%), mines and quarries (11%), and agriculture, forestry, and fishing (14%) (ILO, 2019a); (iii) underrepresentation in terms of income, length of

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<sup>20</sup> In addition, there is a lack of key infrastructure for the adoption of technologies. All of this is coupled with issues of quality and cost. Connectivity costs amount to approximately 10% of household income, while in the OECD countries they amount to less than 2% (broadband affordability threshold). See <https://digilac.iadb.org/en/inicio>.

- employment, and completion of degree studies in STEM (30% of graduates in STEM are women), which helps lead to a lower number of women working in these areas (Bustelo et al., 2019); (iv) underrepresentation in management and executive positions, coupled with overrepresentation in professional, technical, and sales clerk positions (ILO, 2019b; Abrahams et al., 2016); and (v) a 17% gender wage gap (ECLAC/ILO, 2019); Artza et al., 2019). In addition to being more plentiful, men's employment is of better quality than women's. According to the [Better Jobs Index](#), the gender gap in Latin America is 22.5%, and in the quality dimension, which includes formality rates and the rate of jobs with sufficient wages to overcome poverty, men outdistance women by 17.3 pp. Before the pandemic, it was estimated that unless the closing of the gender gaps were accelerated, it would take the region 59 years to achieve gender equality in the labor market (World Economic Forum, 2020). Post-pandemic, this time estimate is sure to be even longer.
- 1.9 **The region has the world's largest gender gap in access to finance for MSMEs (US\$86 billion).** Financing for women is the world's largest emerging market, and it is underserved by the banking sector (Dassanou et al., 2014). The evidence shows that financial services for women are very profitable for financial companies, inasmuch as women are more loyal customers and provide higher profitability, exhibit better payment behavior, and are more prudent savers. Women outperformed the overall market in terms of client and credit growth as well as in deposit growth (Global Banking Alliance for Women, 2017; IDB Invest, 2018). In addition, the evidence shows that even though women entrepreneurs invest 50% less capital than their male peers, they tend to generate 20% more income. Notwithstanding these advantages, close to 70% of women entrepreneurs are rejected by financial intermediaries or they either fail to obtain suitable financing or are given higher interest rates (IFC, 2011).
- 1.10 **The COVID-19 pandemic has destroyed employment like no other previous crisis, disproportionately impacting women's employment, laying bare the vulnerabilities of the labor markets in LAC and threatening to undo the progress made in closing economic gender gaps over the last two decades.** Between February and June 2020, approximately 14% of all jobs in the region and 6.8% of all formal jobs in the region were lost. Thus, in the first six months of the pandemic, some 30 million workers were left without a job or source of income, and in most cases without access to health care and without unemployment insurance. Women's employment has been disproportionately hard-hit in several countries. As in the case of total employment, it has recovered somewhat since August 2020. In Bolivia, Chile, Colombia, Mexico, Peru (Metropolitan Lima), and Paraguay, women's employment shows a sharper decline and a slower recovery than men's employment (IDB, 2021). In fact, it is worth noting that in Paraguay and Bolivia, men's employment has returned to its pre-crisis level, while women's employment continues to show losses. At the same time, formal employment declined less for women than for men in the few countries where this can be measured (Dominican Republic, Mexico, and El Salvador). According to the World Economic Forum's (WEF) Global Risks Report 2021, women's participation in the labor force in Latin America shrank by at least 10 pp during the pandemic.
- 1.11 **The loss of jobs has particularly affected women due to three distinctive characteristics of this crisis.** Firstly, demand for labor in occupations and sectors that require close physical proximity (such as hospitality, food services, retail

commerce, and domestic work) has plummeted due to mobility restrictions and social distancing policies. Women are highly overrepresented in occupations of this type (Alon et al., 2020; World Bank, 2020; International Monetary Fund (IMF), 2020a), which use unskilled labor more frequently (Mongey et al., Pilossoph, 2020), creating informal jobs (Hatayama et al., 2020). The tourism economy, which includes not only tourism itself but also all the sectors that depend on it, accounted for 26% of total GDP in the Caribbean and 10% in Latin America. Since the tourism economy is very labor-intensive, it represented 35% of employment in the Caribbean and 10% in Latin America (ECLAC, 2020a). Tourism affords major opportunities for women, offering flexible work schedules and part-time employment, although gender gaps remain. Women account for nearly 60% of workers in lodging and food activities in Latin America and 61% in the Caribbean. Although many women work in low-level, poorly paid jobs (ILO, 2019), half of tourism companies in the region are women-owned (World Bank, 2017; ECLAC, 2020a). In the Caribbean, tourism accounts for 1 in 6 jobs, the majority of which are held by women (ECLAC, 2020). The health and economic crises are expected to have a negative impact on employment in the tourism sector, particularly if national and international visitors are slow to return. According to the base-case scenario, which does not take into account the mitigation measures all the governments in the region are currently taking to protect businesses and jobs, total employment could fall 9 percentage points (pp) in the Caribbean and 2 pp in Latin America (ECLAC, 2020a). Secondly, school closings and rising demand for child and older adult care increased the burden of nonremunerated household work, which is borne primarily by women.<sup>21</sup> Surveys conducted during the lockdown in LAC show that women have taken on the lion's share of domestic responsibilities and nonremunerated caregiving. For example, while two thirds of the surveyed women reported being solely responsible for cleaning and kitchen chores, less than one fourth of the men reported performing this work (Bottan et al., 2020; World Bank, 2020; ILO, 2020b; OECD, 2020). Lastly, in response to the social distancing policies and measures, many businesses and individuals opted for telework (Azuara Herrera et al., 2020). However, the gender gaps in the use of, and access to, information and communication technologies documented before the pandemic (Bustelo et al., 2019), as well as the other barriers described above, affected women's ability to telework during the crisis (Agüero et al., 2020). In addition to expanding the gender gaps in employment, the pandemic has deepened the gender gaps among SMEs. Women-led businesses are generally concentrated in the sectors that have been hardest hit by the crisis, as opposed to businesses led by men. According to the [Future of Business Survey](#) conducted by the World Bank, the OECD, and Facebook, women-led SMEs are 11% more likely to close due to the COVID-19 crisis than those led by men. In addition, according to the [COVID-19 Global Gender Response Tracker](#), most countries are not doing enough to protect women from the economic and social consequences of the COVID-19 crisis. Of a total of 339 social and labor market protection measures

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<sup>21</sup> Women, who traditionally bear a higher share of the burden in terms of nonremunerated caregiving and chores in the home, were hit hard during the COVID-19 crisis as this burden increased (Sevilla and Smith 2020; Farre et al. 2020; Collins et al. 2020; Boca et al. 2020). This has affected their participation in remunerated employment and the number of hours available to work, particularly if they are mothers of school-age children (García-Rojas et al. (2020) document the case of Colombia, Sena et al. (2021) show evidence for the United States, Canada, Germany, Spain, Great Britain, and the Netherlands, and Gutiérrez et al. (2020) make estimates based on household surveys for other LAC countries).

implemented in response to COVID-19 by 42 countries and territories in LAC, only 22% are gender-sensitive inasmuch as they strengthen women's economic security or address nonremunerated caregiving.

- 1.12 **There are structural gender issues that affect the differential results between men and women in the labor market.** These include first-generation gender issues such as formal equality of rights, girls' access to education, and maternal mortality. Maternal mortality rates in LAC continue to decline more slowly than in other regions. With regard to significant second-generation issues<sup>22</sup> in the region, in addition to the economic gender gaps, the following stand out: (i) violence against women; (ii) adolescent pregnancy; and (iii) women's limited voice and agency (ECLAC, 2014; UN Women, 2012; UNIFEM, 2009; World Bank, 2013a; United Nations, 2009). These are issues where there is demand for IDB Group work from the governments in the region. In addition, these issues are addressed by the Gender and Diversity Sector Framework Document and the Gender Action Plan. The gender issues to be addressed by the Employment Action Framework will focus on the labor market and be coordinated with actions aimed at improving gender problems that are not directly related to the labor market but affect its results. These problems are set out in other Bank documents, such as the Gender and Diversity Sector Framework Document and the Gender Action Plan.
- 1.13 **The impact of the pandemic has been devastating for the business fabric in Latin America and the Caribbean.** As a result of the drop in demand and the difficulties in obtaining supplies, among other issues, businesses have reduced their production and employment levels and have serious liquidity problems (Angelelli et al., 2020). Some business surveys<sup>23</sup> conducted in the region's countries show the impacts on sales, production, employment, and access to supplies. In Argentina, 58% of businesses experienced a decline in sales, while a similar drop affected 69% of industrial enterprises in Uruguay and 79% in Brazil. Difficulties in obtaining supplies were experienced by 29% of industrial enterprises in Uruguay and 86% of the surveyed businesses in Brazil. Lastly, the proportions of businesses that experienced declines in production range from 39% in Argentina to 81% in Brazil. All surveys show that the impacts have been greater among smaller businesses, which is where the greatest proportion of women workers is concentrated (ILO, 2020c). Many MSMEs in the hardest hit chains (e.g., tourism and transportation) were not sufficiently resilient to endure through the recovery time required of their sectors, even after receiving various types of direct and indirect subsidies. Thus, a

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<sup>22</sup> The term "second generation" is used as an explicit reference to the progress made in the region in terms of gender equality. The 2012 World Development Report (World Bank, 2012a), which focuses on gender equality, identifies three areas: endowments, agency, and economic opportunities. Through the use of this framework, considerable progress has been made toward gender equality in Latin America and the Caribbean in the area of human capital endowments. The two remaining challenges in terms of endowments are maternal health and education for indigenous women. There continue to be major challenges in the areas of agency (very particularly the ability to live a life without violence) and economic opportunities.

<sup>23</sup> All these surveys were conducted in March 2020. For Argentina, the source is Fundación Observatorio PYME [SME Observatory Foundation]. In Brazil, it is the Confederação Nacional da Indústria [National Confederation of Industry]. In the case of Uruguay, there are two sources: the Dirección de Estudios Económicos/Cámara de Industrias del Uruguay [Office of Economic Research/Uruguayan Chamber of Industry] and the Cámara Uruguaya de Tecnologías de la Información [Uruguayan Chamber of Information Technologies].

- prioritized allocation of subsidies becomes a key action for public policymakers in the region.
- 1.14 **At the same time, it is worth noting that COVID-19 has generated a strong momentum in the entrepreneur community, which is leveraging the use of technology to innovate with products and services aimed at addressing the social, economic, and health implications of the pandemic.** In fact, according to a representative survey of businesses in Argentina, enterprises with a strong technological component are presumably suffering a lesser negative impact in the context of the pandemic: while on average 53% of the surveyed businesses stopped making sales, the proportion was 29% in the case of technology-based companies (IDB/PRODEM/UNGS, 2020). A study on enterprises formed since 2010 in the technology sector in three cities in the region (Mexico City, Bogotá, and Buenos Aires) shows that 53% of the identified technology-based businesses that obtained capital in the target cities were founded by men only, compared to 43% that were founded or cofounded by a woman. According to the same study, the ecosystem is not entirely unfavorable for women entrepreneurs, since the proportions of male and female entrepreneurs who succeeded in scaling their business to 50 or more employees are very similar, which suggests that the ecosystem still offers opportunities for women entrepreneurs (Endeavor, 2021).
- 1.15 **The COVID-19 pandemic accelerated the need to adopt, develop, and adapt to the use of digital tools and remote work, and this will lead to permanent changes in the skills required by the labor market.** Although telework already existed as an employment modality prior to the pandemic, only some countries had laws and regulations in place in this regard.<sup>24</sup> The pandemic has intensified the debate on, and increased the approval of, telework legislation (with its advantages and disadvantages) to enable some individuals to continue their jobs.<sup>25</sup> On one hand, this has allowed many businesses and workers to continue to operate while under lockdown; on the other, it is exacerbating the existing inequalities between those who can telework (and keep their job) and those who cannot telework (and therefore lose their job). An analysis of pre-COVID household surveys in 23 LAC countries shows that the proportion of employed individuals who can telework is low (between 7% and 16%) compared to that of developed countries, with the lowest proportions being found in Guatemala and Honduras and the highest in Costa Rica and The Bahamas (Azuara et al., 2020). The studies conducted in the region during the pandemic suggest figures that are slightly higher. In Chile and Mexico, one of every

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<sup>24</sup> Colombia, Peru, Brazil, and Mexico regulated telework in the last 12 years. Until 2020, Argentina and Ecuador had regulations without the force of law in place at the level of the Ministry of Labor. Costa Rica approved its telework law in September 2019 and issued its implementing regulations in December of that year (Alaimo, 2021).

<sup>25</sup> Argentina, Bolivia, Chile, El Salvador, and Panama passed their telework laws in 2020 (Alaimo, 2021). Other countries included telework considerations in their emergency laws enacted as a result of the pandemic, and it is unclear what will happen once the health emergency passes. This is currently the situation in Ecuador, Honduras, and Panama. Mexico included details and updates on telework in its broadest reform of the Federal Labor Law (which received technical and operational support from the Bank). These amendments entered into force in January 2021. In other cases, such as Chile, Colombia, and Peru, the telework law was made more flexible during the pandemic, for example by providing for the flexibility of temporary telework (Chile) or for flexible hours (Colombia), or by expanding the definition of telework to include remote work (Peru). Countries such as The Bahamas, Jamaica, and Guatemala have no telework legislation. In the Caribbean countries, telework is a permitted and utilized modality.

- four workers was teleworking in May 2020 (INEGI, 2020; Bravo, Castillo, and Hughes, 2020). While technology makes it possible for an ever-expanding range of jobs to be performed remotely, telework is not a solution for a large part of the population, particularly for those most vulnerable. Furthermore, there are other factors that influence the possibility of teleworking effectively, such as connectivity, housing conditions, overcrowding, and caring for children and older adults.
- 1.16 **Digitalization, which used to be merely one more way of boosting business productivity, has become an essential requirement for the survival of a business, but the smaller businesses do not have a high technology adoption rate.** According to a study by the Bank's [INTAL](#), while Internet and mobile device penetration has increased significantly over the last decade in Latin America and the Caribbean, the use of productive and sophisticated applications continues to be highly concentrated in the subgroup of export and service sector companies (Basco et al., 2020). The reality is quite different for the majority of MSMEs in the region, and MSMEs account for 99% of all businesses and 60% of all jobs, according to 2018 ECLAC data (Henriquez, 2020). For example, in Chile, data from the Longitudinal Business Survey indicate that, although 90% of SMEs have an Internet connection, their use of it is limited to sending and receiving emails, while only 40% have a website and 27% engage in electronic commerce. Another regional study (in 8 LAC countries), commissioned by Visa in 2018, showed that 7 of every 10 SMEs use cash as a payment method.
- 1.17 **Creating green jobs could help to reverse the situation and open up a significant new source of employment.** The potential for creating green jobs in the region associated with a decarbonization process is estimated at 15 million new jobs (ILO/IDB, 2020). According to ILO and Bank estimates (2020), the decarbonization process could create 22.5 million new jobs in sectors such as sustainable agriculture, energy production using clean energy sources such as solar and wind power, and related production sectors such as industry, construction, and forestry. Just the production of organic foods using sustainable practices, promoting plant-based diets, would add 19 million new jobs in the region. It is also estimated that 7.5 million jobs would be lost during the transition in the fossil fuel sector (coal, gas, oil) and in production sectors associated with meat consumption, such as livestock farming and animal feed production. Thus, it is estimated that 15 million net jobs can be created in the region. In addition, this sector has the potential for creating employment requiring different skill sets and levels of training. While LAC governments are sending some positive signals, such as measures supporting telework, sustainable mobility, and organic food production, the countries need to take more ambitious action to ensure that the post-COVID recovery incorporates environmental criteria (Sanchez and Torres, 2020). This would take advantage of the opportunities to maintain and create new green jobs. Gender gaps existed in this area before the pandemic. In 2019, approximately 78 million people worked in one or another of the key sectors for a clean and green transition toward the attainment of green jobs and sustainable growth. Of this total, 72% were men and 28% women (Sanchez and Torres, 2020).
- 1.18 **Lastly, there is an evident educational crisis resulting from the COVID-19 pandemic, affecting the next generation of workers.** School closings due to COVID-19 affect millions of children and young people, impact wellbeing in many ways, and will have lasting, long-term effects (Azevedo et al., 2020). This includes

learning losses, dropout,<sup>26,27</sup> limited access to supplementary services that are delivered in schools, such as food, health, and subsidies, impacts on mental health, and risks of victimization and violence. In addition, the experience from past health crises, such as the Ebola epidemic, shows that the most vulnerable secondary school youth generally fail to return to school and that women are exposed to greater risk (Bandiera et al., 2020). The COVID-19 crisis merely intensifies the myriad barriers faced by young people seeking access to a quality secondary education. Without the necessary skills, these young people will not successfully continue to transition to higher education or the labor market. This situation worsens the longer they stay out of school.<sup>28</sup> Furthermore, for students who graduate during the crisis, the chances of obtaining employment are lower, not only affecting short-term employability and wages, but creating disparities that persist throughout their careers.<sup>29</sup>

## II. PRIORITY AREAS FOR EMPLOYMENT RECOVERY, CREATION, AND TRANSFORMATION WITH A GENDER PERSPECTIVE IN LATIN AMERICA AND THE CARIBBEAN

- 2.1 **To reactivate employment with a gender approach in Latin America and the Caribbean will be a formidable challenge and therefore requires equally significant actions.** The region could conceivably recover all lost jobs in the near future, but there is a risk of their being low quality. A second major risk is for women to have no access to those newly recovered jobs, much less to high-quality ones. It is therefore clear that we should not only work on recovery but also lay the foundations to: (i) create employment in a sustained fashion, emphasizing innovative solutions so that the job creation and transformation process produces quality employment; and (ii) ensure that access to employment has a gender perspective, i.e., that specific instruments are used to enable women to rejoin the labor force on an equal footing with men.

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<sup>26</sup> In the majority of countries, the skills required for a transition toward a net-zero emissions economy are still not included in the skills development program. This is often due to a disconnect between the vocational and professional education systems, the environmental policies, and the national development strategies, as well as to a disconnect between the skills development institutions and the industry (ILO, 2018b).

<sup>27</sup> It is estimated that at least 1.2 million children and adolescents could fail to return to school and be excluded from the education system, adding to the 7.7 million who did not regularly attend school prior to the health crisis. In addition, some initial studies for Chile and Mexico indicate that learning losses will be a constant when in-person classes eventually resume (De Hoyos, R., 2020; Chilean Ministry of Education, 2020). Other estimates for Latin America depict an even more pessimistic scenario: the pandemic could lead to an average schooling loss of 0.9 years (Azevedo et al., 2020).

<sup>28</sup> This situation is particularly complex in Mesoamerica.

<sup>29</sup> It has repeatedly been shown that the negative consequences of economic crises have a particular and long-term effect on recent graduates. In the Great Recession of 2008, youth unemployment rates rose significantly more than those of adults (Junankar, 2014). This effect was more pronounced in the case of workers with less education (Rothstein, 2017). Youth earnings were also affected, resulting in an annual income loss of about 9% during the first years in the labor market and lower wages than would normally be the case during the first 10 years of employment (Oreopoulos et al., 2012 and Schwandt and von Wachter, 2019). These effects are stronger in the case of workers in the lower portion of the income distribution (Oreopoulos et al., 2012), minorities, and workers who are secondary school dropouts (Schwandt and von Wachter, 2019), all of whom suffer greater economic losses. These effects on earnings are due to the inability to change jobs in the first years of professional employment and to the quality of the first job, among other factors.

- 2.2 **The COVID-19 crisis necessitates fostering job creation strategies with a gender perspective to create quality employment and recover lost jobs, establishing a path toward inclusive economic growth.** Starting with the **businesses and entrepreneurship** pillar, this means making investments to promote quality employment in emerging sectors and foster equal access opportunities for women; encourage greater financial inclusion and provide incentives for businesses that increase and improve quality jobs, with an emphasis on women's employment and employability; and support digital transformation (especially for SMEs). It also means supporting ventures that are STEM-based or have a large technological component and can create quality jobs, especially for women. In terms of **talent**, it means leveraging public-private skill development strategies with a sectoral approach, supporting mass upskilling and reskilling initiatives that equip the labor force with the skills needed to obtain and retain quality jobs and digital and green economy jobs, providing relevant skills to young people currently in secondary school, closing the gender gaps in terms of digital skills, and increasing information and incentives to expand the number of women in STEM-related jobs. In terms of **regulations**, it means working with the governments and the private sector in the region to promote regulatory changes fostering job creation and transformation to inclusive, quality employment. Here we are referring to laws and regulations for telework and remote work, employment flexibility with social security and protection, expanded access to quality care services, and parental leave that fosters shared responsibility for caregiving.<sup>30</sup> In addition, there is a need to regulate traditionally informal sectors and occupations, such as domestic work, which accounts for a significant portion of women's employment, to ensure that these jobs are recovered at a higher quality level and with better conditions and social benefits.
- 2.3 **The IDB Group stands ready to play a key leadership role in the process of job recovery, creation, and transformation with a gender perspective in LAC, providing and leveraging financial resources, offering technical assistance, and coordinating regional initiatives as a strategic partner.** This document proposes creating an Employment Action Framework with a Gender Perspective for LAC with the aim of coordinating IDB Group actions in support of its borrowing member countries to enable them to create jobs in an inclusive fashion. The issues included in this action framework were already being worked on in different sections of the IDB Group, but the magnitude of the challenge created by the COVID-19 pandemic requires strategically aligning the efforts of all IDB Group areas and doubling down in favor of employment with a gender perspective, introducing innovations that can have a larger scale effect and more of an impact than past actions. Accordingly, the value added of this action framework can be summarized as follows: (i) it gives visibility to the IDB Group's efforts on this issue; (ii) it boosts the impact through joint efforts, innovation, and identification of synergies; and (iii) it establishes for the first time a benchmark for measuring the impact of IDB Group investments in the region in terms of job creation.

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<sup>30</sup> It is advisable that parental leave be remunerated by social security systems, be of suitable length, be available to both spouses upon the conclusion of maternity and paternity leave, be either full-time or partial, and include a nontransferable portion for each spouse and another time portion that should be shareable by both, thus ensuring consistency with the current circumstances (Lupica, 2015).

- 2.4 **Objective.** The general objective of the Employment Action Framework is to coordinate the current IDB Group instruments (reimbursable and nonreimbursable operations and nonoperational activities) to recover, create, and transform employment in LAC, with an emphasis on women's employment. In addition, it seeks to measure and monitor the IDB Group's contribution to job creation in the region. To achieve this objective, the action framework will prioritize all IDB Group actions that help to: (i) support businesses and entrepreneurs in recovering the jobs lost in the pandemic and creating new, quality jobs, with special emphasis on increasing women's employment; (ii) equip the people in the region with the necessary skills for successful lifelong learning and employment; and (iii) strengthen the labor institutions, laws, and regulations to enhance the functioning of the labor market.
- 2.5 **Effective term.** The Employment Action Framework will be in effect for an initial period of four years. Prior to the completion of this period, Management will conduct an analysis of its results, and based on this, will determine the need to extend the effective term. The document containing the analysis of the Employment Action Framework's results will be distributed to the Boards of Executive Directors of the IDB and IDB Invest for information.
- 2.6 **Alignment.** The objective of the Employment Action Framework is consistent with the IDB Group's priorities in the areas of social inclusion, equality, productivity, and innovation. The Employment Action Framework is aligned with the IDB Group's Corporate Results Framework 2020-2023 (document GN-2727-12) and is specifically aligned with the crosscutting challenges of gender equality and diversity, and institutional capacity and rule of law, in the Update to the Institutional Strategy (document AB-3190-2). In addition, it is aligned with: (i) the Labor Sector Framework Document (document GN-2741-9), inasmuch as it seeks to expand and equalize workers' opportunities to access formal jobs and boost their productivity; (ii) the Strategy on Social Policy for Equity and Productivity (document GN-2588-4), by seeking to improve the outcomes for individuals in the labor market; (iii) the Skills Development Sector Framework Document (document GN-3012-3), by leveraging the use of technology to expand equitable access to skills development opportunities, make skills development systems more effective, and actively promote the generation and use of empirical information to guide decision-making in the area of skills development; (iv) the Gender and Diversity Sector Framework Document (document GN-2800-8), the Operational Policy on Gender Equality in Development (document GN-2531-9), and the Gender Action Plan for Operations 2020-2021 (document GN-2531-18), inasmuch as it expands economic opportunities by increasing women's participation, closing economic gender gaps, and improving women's access to more productive and better paid jobs and occupations by endeavoring to integrate and support businesses with an emphasis on women's employment and supporting the development of talent with a focus on women; (v) the Sustainable Infrastructure Strategy for Competitiveness and Inclusive Growth (document GN-2710-5); and (vi) the Gender Action Plan for Operations 2019-2021 (document GN-3001), by developing human talent with an emphasis on promoting diversity and increasing the diversity of suppliers in the value chains of the businesses.
- 2.7 For IDB Invest, the Employment Action Framework supports the priority areas of intervention of the Renewed Vision (document CII/GN-296-1), the MSME Action Plan (document CII/GN-364-1), and the Financial Intermediaries Action Plan

(document CII/GN-369), primarily by financing MSMEs, investing in business skills, supporting innovation, technological development, and technology transfer, and promoting infrastructure for development. The Employment Action Framework is similarly aligned with the vision of INO/ADV in supporting the private sector in LAC on diversity and inclusion issues. The INO/ADV/GDI roadmap focuses on supporting businesses to create more and better jobs for women and minorities, developing more inclusive financing products to accelerate credit access for women and minorities, and increasing the presence of women-owned MSMEs in the value chains.

- 2.8 For IDB Lab, the Employment Action Framework is aligned with the IDB Lab Business Plan 2019-2021 (document MIF/GN-235-3), by supporting innovations that benefit vulnerable populations with a gender approach and by creating, jointly with the IDB Group, interventions that generate a greater impact and scale. Through its thematic areas, IDB Lab finances entrepreneurs and businesses capable of narrowing the gender gaps in LAC, including an explicit focus on women-run businesses, reduces the talent gap in the digital sector and other high-growth sectors for women, excluded groups, and vulnerable populations, and tests new pay-for-success mechanisms to improve the job quality of vulnerable groups. In addition, it is aligned with new areas of exploration on emerging sectors such as the silver economy and workertech. Furthermore, IDB Lab has gender and diversity goals that will be aligned and be consistent with this action framework.
- 2.9 Lastly, the Employment Action Framework encompasses core issues in the IDB Group's ongoing dialogue, set out in the respective country strategies, with borrowing member countries that request Bank support on matters such as: boosting productivity and competitiveness; short- and long-term financing for private investment; fostering innovation; support for social security and tax system reforms; financial inclusion; skills development; expanding the availability of care services (for children and older adults); social protection and risk protection systems; job creation; gender equity support programs; and others.<sup>31</sup> Thus, it is important to continue to consolidate VPC's strategic effort to include employability issues with a gender perspective in the strategy preparation cycles.
- 2.10 **Relation to the Sustainable Development Goals (SDGs).** The priorities of the Employment Action Framework relate to 5 of the 17 SDGs, specifically: (i) SDG 4: quality education, through actions to support the development of cross-disciplinary skills enabling the individual to remain continually up to date; (ii) SDG 5: gender equality, through actions aimed at narrowing the economic gender gaps and expanding women's access to employment; (iii) SDG 8: decent work and economic growth, through actions that promote higher productivity and improved access to technology; (iv) SDG 9: industry, innovation, and infrastructure, through actions that promote the development of reliable, sustainable, and resilient quality infrastructure; and (v) SDG 10: reduction of inequalities, by creating greater economic opportunities for women and minorities.

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<sup>31</sup> The country strategies that consider specific employment issues are: Bolivia (2016-2020); Brazil (2021-2022); Colombia (2019-2022), Costa Rica (2019-2022); Ecuador (2018-2021); Haiti (2017-2021); Jamaica (2016-2021); Panama (2015-2019); Paraguay (2019-2023); Peru (2017-2021); Dominican Republic (2017-2020); and Uruguay (2016-2020).

## A. Thematic areas of intervention

2.11 To be aligned with the Employment Action Framework, operations and nonoperational activities should fall within any of the following three thematic areas of intervention:

- (i) **support and financing for businesses and entrepreneurs**, the specific objective of which is to recover the jobs lost in the pandemic and create new, quality jobs, with a special emphasis on increasing women's employment;
- (ii) **support for talent development**, the specific objective of which is to equip people with the necessary skills for successful lifelong learning and employment;<sup>32</sup> and
- (iii) **promotion of laws and regulations that revitalize employment**, the specific objective of which is to enhance the functioning of the labor market, the quality of jobs, and the conditions for equal access to employment for men and women.

2.12 All operations and technical assistance activities will provide for the incorporation of a gender perspective.<sup>33</sup> All operations and nonoperational activities will attempt to measure their contribution to job creation, and in particular support the conditions needed to increase women's employment in LAC.

2.13 **Measuring the IDB Group's contribution to the creation of quality jobs, with a gender perspective.** In the three thematic areas of intervention, and in a crosscutting fashion across all IDB Group actions, work will be done on identifying how the IDB Group, through its actions and interventions, helps to create quality jobs and on specifically measuring the IDB Group's contribution to women's employment.

### 1. Support and financing for businesses and entrepreneurs for job recovery, creation, and transformation

2.14 **The private sector is the greatest creator of formal jobs.** In the next four years, the IDB Group will prioritize interventions that support businesses and entrepreneurs committed to creating the necessary jobs to recover all formal employment lost in the region, generating new work opportunities, and transforming the labor market, with an emphasis on women's employment. The region's SMEs are essential in this process of creating job opportunities. The pandemic has presented them with challenges not only in maintaining and recovering jobs in the short term but also in reconfiguring them in the medium and long term. The emerging generation of companies that are STEM-based or have a strong technological component will also

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<sup>32</sup> Within the area of talent development, the Employment Action Framework will include investments in the education system to develop the human capital needed for the future of work, especially targeting secondary school students who are preparing to enter the labor market.

<sup>33</sup> The inclusion of a gender perspective is a strategic approach designed to achieve the goal of gender equality. The Bank's [Operational Policy on Gender Equality in Development](#) defines gender mainstreaming as the "process that seeks to have gender equality and the needs of women and men be heard and addressed in the design, implementation, monitoring, and evaluation of the Bank's interventions." Identifying the gender dimensions of any problem or intervention requires first conducting a gender analysis to identify and assess the various roles, needs, and opportunities of men and women and the relationships among them, as well as the inequalities between men and women in terms of power, resources, and opportunities in households, communities, and countries, and across sectors.

play a crucial role, both in creating new jobs to accompany their fast business growth and in providing products and services to help mitigate the impact of the pandemic on the health care, distance learning, logistics, mobility, financial technology, and SME digital solutions sectors, among others.

- 2.15 **The IDB Group will continue to support and expand public-private partnerships to increase equal access to the labor market and create opportunities for women to join the labor force.** The IDB Group will continue to support public-private partnerships, such as the Gender Parity Initiatives (GPIs),<sup>34</sup> and promote seals and certifications that foster gender equality in jobs and businesses. GPIs are a high-level public-private collaboration model aimed at supporting governments and the private sector in identifying and closing the gaps that prevent equal access to opportunities in the labor and business markets. GPIs have been implemented in [Chile](#), [Argentina](#), [Panama](#), [Colombia](#), [Dominican Republic](#), and Costa Rica. They have helped to promote public policy changes such as: extending the hours of the childcare program in Chile from four to seven and issuing the implementing regulations for Law 4 on Equal Opportunity in Panama to reduce the pay gaps between men and women. In addition, GPIs work with interested companies on implementing inclusive business practices allowing them to increase and improve the quality of jobs for women. Beyond the Bank, the GPIs have made the IDB Group more visible as an entity that assists governments and the private sector through knowledge and actions to close the economic gender gaps. Within the Bank, they have made it possible to implement a multisector approach and launch the first two gender-focused policy-based loans, in Argentina in 2018 (loan [4622/OC-AR](#)) and in Panama in 2019 (loan [4777/OC-PN](#)). During COVID-19, the GPIs served as a platform for knowledge-sharing between countries with a view to analyzing the differentiated impact of the economic crisis resulting from COVID-19 on women's labor participation and recommending suitable policies to mitigate this impact.<sup>35</sup> The IDB Group will capitalize on the lessons learned and partnerships created through the GPIs to be bolder in the future, expanding this type of action to more countries in the region, fostering greater collaboration with strategic partners and with the private sector, and using these platforms to generate evidence-based dialogues that can drive the regulatory changes and business practices required to close the economic gender gaps.
- 2.16 **The digital and productive transformation of the private sector will significantly assist in increasing and transforming employment, particularly with regard to SMEs.** Businesses need to restructure and transform their production and operating processes to adapt their business model to the demands of the post-pandemic market. This includes adopting technologies for digitalizing production, operating, and commercial processes to facilitate remote work (IDB, 2020a, 2020b, and 2020c). For businesses to succeed in implementing innovations and transformations that can attract foreign investment and optimize the linkage

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<sup>34</sup> By way of background, in 2016 the Bank partnered with the World Economic Forum and in 2019 with the French Development Agency to implement the Gender Parity Initiatives in Latin America and the Caribbean.

<sup>35</sup> Various actions are being taken in the wake of these discussions. They include adapting the GPI action plan to the post-COVID priorities in Costa Rica and implementing a telework pilot at the Public Procurement Office in the Dominican Republic in tandem with Microsoft. In addition, these discussions have given rise to recommendations for reactivating the economy with a gender perspective in Panama.

opportunities with the new regional value chains, including a diversification of suppliers (specifically by purchasing from SMEs led or owned by women or members of diverse groups, such as indigenous peoples, Afrodescendants, migrants, persons with disabilities or LGBTQ+ persons), they need to invest in the development of business skills and in the transformation of their active labor force. Equally essential for them is to work on managing human talent with a gender perspective in the hiring and promotion processes and in fighting discrimination and harassment in the workplace.<sup>36</sup> In addition, boosting the rapid digitalization of the economy brought about by the pandemic requires investing in infrastructure, connectivity, and programs that foster the availability and mass use of the necessary tools to work remotely or participate in the digital economy.

- 2.17 **The IDB Group will offer financing, technical assistance, training, technological services, information, testing opportunities, and nonreimbursable resources to help businesses, particularly SMEs, with job recovery, creation, and transformation.** The programs to be accelerated include: (i) innovation and digital transformation; (ii) extension services; (iii) actions aimed at attracting, retaining, and developing talent with an emphasis on promoting women and diversity, closing wage gaps, and promoting greater participation by women in leadership positions; (iv) strategies to eradicate sexual harassment in the workplace; and (v) financing of investments in capital goods, working capital, and technical assistance for businesses and entrepreneurs that create new sources of employment where equal opportunity for women and men and nondiscrimination are overarching principles. Special emphasis will be placed on activities aimed at: (i) implementing telework; (ii) performing sales and purchases through digital platforms; (iii) organizing and managing the production processes remotely; and (iv) reinforcing cybersecurity and quality Internet access in workers' homes. In addition, the IDB Group will work with interested countries in developing tax, financial, and pay-for-success incentive programs for businesses committed to recovering and transforming employment and creating better-quality jobs in the region, with a gender perspective.
- 2.18 **The IDB Group will support the creation of quality jobs by financing infrastructure works, the formalization of workers associated with those works, and their operation and maintenance, as well as in emerging and high-growth areas.** Prior IDB Group efforts in this regard show that creating jobs through investments in infrastructure is a significant field of action.<sup>37</sup> In addition, the COVID-19 crisis creates a unique window of opportunity to plan for a sustainable, inclusive, and resilient recovery in emerging, high-growth areas such as: electric mobility, renewable energies, bioeconomy, smart agricultural technologies, efficient industrial machinery, green construction, and others. For example, in energy, the focus should be on the provision of services: distribution, digitalization, hydrogen, electromobility, and others, without neglecting the opportunity of transforming the energy matrix in renewable generation, which creates more jobs than traditional

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<sup>36</sup> Worth noting is the Espacios Laborales sin Acoso [Harassment-free Workplaces] (ELSA) project launched by the IDB Group in 2021 to reduce the number of cases of women's harassment in businesses in Bolivia, Peru, and Colombia.

<sup>37</sup> Estimates based on a sample of investment projects financed by the Bank over the last five years in the water and sanitation, energy, and transportation sectors indicate that a US\$1 billion investment is associated with the creation of 35,000 direct jobs in Latin America and the Caribbean (Rivas et al., 2020).

generation while providing greater gender balance and boosting the sustainability of the region. To ensure a fair transition, decarbonization measures should be accompanied by policies that facilitate relocating workers, promoting quality jobs in rural areas, offering new business models, and supporting displaced workers (Sagel et al., 2020). Lastly, there is a need to invest in employment information systems that include green job statistics, in strengthening the quality and relevance of the education and vocational training systems for green sectors, in reinforcing the SMEs that already provide green employment but need to upgrade and train their employees, and in increasing the coverage and effectiveness of public employment services and other active labor policies that support the transition to green jobs.

- 2.19 **In addition, the IDB Group will redouble its efforts to support the creation of startups and the growth of women-led MSMEs.** IDB Invest will support credit access for women-led MSMEs by: (i) developing innovative financial instruments such as gender bonds to enable faster access to credit for women-led businesses;<sup>38</sup> and (ii) supporting the women-led MSME onlending program Women entrepreneurship Banking (WeB), which has supported more than 23 financial institutions in over 13 countries and enabled female entrepreneurs to grow their businesses and create more jobs. Through the Women Entrepreneurs Finance Initiative (We-Fi), the IDB Group focuses on expanding access to financing, services, capabilities, markets, and connections for women-led MSMEs in the region. In addition, the Bank recently launched Women Growing Together in the Americas, a program which, through ConnectAmericas for Women, will provide technical assistance to women-led MSMEs to help them integrate into foreign trade and regional value chains. The IDB Group will also support programs that implement cost-efficient tax<sup>39</sup> and financial incentives for businesses that invest in training and hiring more women, with a particular emphasis on giving visibility and support to businesses committed to helping more women join the labor force in sectors in which they traditionally do not participate (energy, transportation, infrastructure, and sectors with a strong technological component). There are very interesting experiences; for example, IDB Invest has innovated in the use of blended finance to promote and accelerate the hiring of women and minorities in nontraditional and STEM-related occupations in climate projects financed by IDB Invest with the support of Canada.<sup>40</sup> IDB Lab will support the start-up ecosystem, investing both in funds and directly in businesses with the highest transformation potential in Latin America and the Caribbean. Since women are overrepresented in tourism MSMEs and face greater obstacles in access to finance, it is essential that their access to the funds, stimulus packages, loans, and public contracts be guaranteed as part of tourism recovery strategies (ECLAC, 2020a). Lastly, the IDB Group will promote the use of behavioral sciences in the design of smart interventions that promote gender equality in the labor market.

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<sup>38</sup> A gender social bond is typically issued in institutional securities exchanges with a view to improving access to finance for women and expanding the investment portfolio in businesses and projects that are necessarily led by or fully comprised of women.

<sup>39</sup> Tax incentives are “cost-effective if the benefits they produce, whether economic or social and environmental, exceed the costs they generate, which range from a fiscal cost due to the loss of tax revenue to efficiency, equity, and transparency impacts” (Rojas et al., 2019).

<sup>40</sup> [For Equality We Make the Difference. Financial Incentives to Close the Gender Gap. IDB Invest.](#)

- 2. Support for talent development to equip individuals with the necessary skills for successful lifelong learning and employment**
- 2.20 This action framework will foster development of the human capital needed to build the skills required by the production sector and for the jobs of the future.** The IDB Group will prioritize interventions aimed at: (i) training and certifying individuals with the skills required by the production sector; (ii) developing the cognitive, technical, and socioemotional skills at the secondary and vocational-professional education level needed to obtain quality jobs; and (iii) devising mechanisms to facilitate skill certification, degree validation, and development of the relevant talent for the inclusion of migrants in the labor market. All these interventions will envisage the inclusion of actions aimed at expanding the number of women equipped with the skills to obtain better-quality jobs and jobs in sectors and positions in which they have traditionally not participated. Tools such as the Women's Empowerment Principles Gender Gap Analysis Tool (WEPs Tool) will be useful for this purpose. This tool was developed by IDB Invest, IDB Lab, UN Women, and the Global Pact to measure gender gaps and provide good practices to businesses with a view to closing these gaps. IDB Invest has experience in deploying this tool for more than 30 clients in LAC. Another IDB Group instrument is blended finance to accelerate closing the gaps.
- 2.21 In the short term, in view of the pandemic, the Employment Action Framework will seek to combine protecting people's income with preventing depreciation of their human capital by helping them to develop skills and reconnect with jobs in emerging sectors through upskilling and reskilling.** Cash-for-training programs can serve as a tool for achieving this objective due to their incentive basis and their flexibility, which makes it easy to adapt them to specific population segments or groups. Thus, for example, they can support development of the requisite skills to enable more women to join sectors with a large technology component. Since the pandemic has yielded many lessons learned as to the possibility and benefit of using digital employment intermediation and job training systems, such systems will be relied on to a greater extent than in the past, combining them with in-person education. In view of the unprecedented education crisis unleashed by COVID-19, short-term strategies to protect the future generations of workers will be included, focusing on two objectives: (i) reinforce the measures to prevent early school dropout and close the learning gaps, with a special emphasis on the hardest hit groups;<sup>41</sup> and (ii) support the transition into the labor market for graduates to help them avoid falling into unemployment before starting their job careers and minimize any long-term consequences.
- 2.22 In the medium and long term, the Employment Action Framework will tackle the outstanding education challenges for secondary and post-secondary school students (IDB, 2020c).** Since the high rate of school dropout without graduating is a major challenge, the IDB Group will support the following actions: reduce the obstacles to continuing studies; provide early detection of dropout risk, a safe and stimulating environment, and flexible educational offering; foster a more

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<sup>41</sup> This includes remedial education programs which can be implemented during the school vacation period and offer learning tools and socioemotional support for parents and caregivers (such as the "Mate Wasi, Learning as a Family" program supported by the Bank in Peru), and cash transfers conditional on attendance, targeting at-risk groups.

participatory school environment; and devise a suitable set of skills for graduates. At the post-secondary level, the IDB Group will work with universities, technical institutes, and virtual learning platforms to develop an ecosystem that, combining quality and relevance, provides the advanced cognitive, technical, and socioemotional skills needed for lifelong learning and success in the labor market. Since post-secondary education coverage has increased but remains low and inequitable, and young adults are not acquiring the necessary skills for success in the labor market, the IDB Group will reinforce quality assurance mechanisms and private-sector participation to foster an expansion of post-secondary education without impairing its quality and relevance. It will also facilitate financing mechanisms to provide access to education and the ability to transfer at any point from one learning track to another. For young people beginning higher education studies, the IDB Group will support the development of cross-disciplinary skills enabling them to remain continually up to date. This should be done with a special emphasis on cross-disciplinary skills for vulnerable students, thereby improving their access to tertiary education as well as their continued attendance and outcomes. At all education levels, the IDB Group will seek to establish synergies between the training programs and the national or local strategies for productive development in specific economic sectors.<sup>42</sup>

- 2.23 **The IDB Group will assist individuals in obtaining and maintaining quality jobs throughout their adult lives by promoting public-private partnerships that can provide quality skills development services and are responsive to the demands of the productive sector (IDB, 2020c).** The challenge here is that large segments of the adult population in our region have a serious deficit in terms of basic, digital, and socioemotional skills, and there is a gap between their skills and those required by the productive sector. Consequently, the IDB Group will speed up actions to reinforce the quality and relevance assurance mechanisms for the acquisition of new skills and certify skills already acquired; and to provide financing, guidance, and flexible learning options that offer access to learning opportunities and ensure the ability to transfer at any point from one learning track to another. The IDB Group will support innovative and scalable training models that have a major technology component and show initial evidence of their ability to develop STEM skills and/or skills in demand from the productive sector, particularly for women. The main lesson learned from the IDB Group's experience in executing skills development programs is the importance of actively collaborating with the productive sector in the design and implementation of skills development programs. This entails working together with business owners to develop skills in the workplace, as well as partnering with virtual learning platforms, universities, and technical institutes.<sup>43</sup> This action framework will take into account the lessons learned from programs financed by the IDB Group, such as the following: (i) vocational and professional training should be aimed at training and connecting students with specific employment opportunities, equipping them with the necessary skills to adapt to new circumstances; (ii) training complemented by job placement and intermediation services focused on the target population is more effective; (iii) competitive training

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<sup>42</sup> These strategies follow best practices in countries with successful skill development systems (Amaral et al., 2017).

<sup>43</sup> The experience of the IDB Group shows that private sector participation in skill development programs leads to more relevant aptitudes and better employment outcomes (IDB, 2020c).

- programs welcome private-sector participation in the programs' design; (iv) private-sector participation promotes the development of training interventions that reflect real needs, thereby driving labor productivity; and (v) the provision of financing to high-quality private educational institutions can foster competition and indirectly catalyze systemic improvements in a country's educational offering.<sup>44</sup>
- 2.24 **Development of skills for green jobs.** Starting now, but looking to the medium term, the Employment Action Framework will work on developing the necessary skills for jobs associated with the transition toward a low-carbon economy. It will support public-private skill development strategies, since the private sector plays a key role in identifying the required competencies and aligning the training curriculum with the changing demand for labor, and since, in many cases, training for transition is provided by private companies.
- 2.25 **The Employment Action Framework will make it easier to harness the human capital in the migrant population by strengthening the processes for regularizing migrants' status in their host countries and validating their studies and degrees in order to facilitate their access to formal labor markets.** The IDB Group will strengthen the skill assessment, recertification, and validation of expertise processes for migrants to facilitate their access to formal labor markets and thereby make full use of their potential.
- 2.26 **This action framework will work in parallel with the talent development activities carried out under the institutional priorities of support for regional value chains and digital transformation, as well as in supporting the focus on SMEs.** With regard to actions aimed at supporting the development of regional value chains, this action framework will support developing the talent that the region's newly operating businesses will require in the future. In addition, it will support the development of high-quality and relevant training systems that can boost the countries' future attractiveness for foreign direct investment. The Employment Action Framework will also enhance digital skills and competencies with a gender perspective in connectivity projects for digital transformation. It will work in a parallel and complementary fashion with the Digital Transformation Action Framework, providing digital skills for the SMEs that will adopt digital technologies in the next four years and harnessing efforts to provide increased access and connectivity to the region, thereby opening the door to greater production and productivity and thus more jobs. Furthermore, under this framework, the IDB Group will work in partnership with the private sector to mobilize financial resources and leverage resources in kind through its various technological solutions.
- 2.27 **This action framework will coordinate with the 21st Century Skills and Mesoamerica Education Initiatives.** The 21st Century Skills Initiative, led by the Bank, seeks to attract and coordinate various public- and private-sector actors to help equip the citizens of Latin America and the Caribbean with the essentials: cross-disciplinary skills enabling them to grow and prosper more rapidly and thus reach higher levels of wellbeing. This initiative is a coalition of more than 37 members, including Google, Amazon, Wikimedia, Hundred, Ashoka, Minerva, Plan Ceibal, Fundación Sura, and Fundación Santillana, that contribute knowledge and solutions

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<sup>44</sup> Projects financed by IDB Invest in recent years highlight the importance of increasing financing for private universities in the region, involving the private sector in identifying the necessary skills, and strengthening quality assurance mechanisms.

as well as digital skills with a gender approach. Mesoamerica Education is an innovative regional initiative comprised of the 10 Mesoamerican governments, the Bank, UNICEF, and other public and private strategic partners, aimed at producing a generation of youth who can actively contribute to the economic and social development of their countries. With close to 20 million young people in Mesoamerica, the initiative seeks to expand the number of those who graduate from school, focusing on the 5.3 million youth who are excluded from the education system and have difficulty integrating into the labor market.

- 2.28 **The Employment Action Framework will also seek to intensify the synergies with BetterTogether, a global initiative created by the Bank and USAID to harness the talent of the migrant population.** This initiative seeks to identify, fund, and scale innovative solutions to support Venezuelans and host communities affected by the regional migration crisis. BetterTogether has selected 30 projects that provide solutions to improve the social and labor inclusion of migrants by creating jobs, fostering an entrepreneurial spirit, and advancing women's economic empowerment. The projects are led by the private sector and civil society organizations that support the migrant and local populations, facilitating access to online employability tools, training for professional development, job placement, and guidance on local labor legislation, among other activities.

### **3. Promoting laws and regulations that can activate employment recovery, creation, and transformation with a gender perspective**

- 2.29 **In the short term, the IDB Group will support adapting labor laws and regulations to the circumstances that were already present in the region prior to COVID-19 and involved new work modalities and technological changes, while also considering the differences brought about by the pandemic.** The IDB Group will support formulating or reformulating telework and remote work laws so that they meet the objectives of promoting greater job creation, facilitating employability during the different cycles of the pandemic in the region, and encouraging a healthy work-life balance.

- 2.30 **But telework laws are not in themselves sufficient to change how the labor market operates; what is needed is a comprehensive review of the labor codes and to think beyond the employment world.** The required changes include promoting reforms in labor regulations and policies, such as revising the workday (length and schedule flexibility), parental leave for men and women, and other flexible work arrangements (Alaimo et al., 2019). These changes should be accompanied by strategies to enable workers, particularly women and migrants, to know and defend their rights in the workplace and to enable employers to become more familiar with the existing regulations and their obligations to their workers. In addition, childcare policies for men and women, incentives to encourage shared work and household responsibility, and public-private partnerships (such as the aforementioned GPIs) that promote a change in business culture are essential for boosting inclusive telework.

- 2.31 **In the short term, the IDB Group will support both the safe reopening of schools and childcare centers and the future investments needed to expand the availability and improve the quality of child and older adult care services.** In the case of preschool and childcare centers, the IDB Group will support the implementation of critical paths for a return to in-person modalities with defined

safety and quality protocols to ensure a recovery of women's labor market participation in the region. This will require having quality assurance mechanisms in place wherever such services are provided (including hybrid modalities to ensure continuity of service during the pandemic and greater equity), strengthening the quality of the labor force in charge of this age group, and investments to expand in-person coverage (i.e., physical space to maintain social distancing, ventilation systems in childcare centers, and personal protective and testing equipment) as well as virtual coverage (i.e., connectivity improvements and devices) (Hincapie et al., 2020). A safe reopening of schools is a first step toward easing the additional burden created as a result of the crisis and is expected to at least help to check the expansion of the gender gaps.<sup>45</sup> This will have a positive impact on women's remunerated employment levels (at the extensive and intensive margins), but the design and delivery of these services are important to ensure that the services are of good quality, affordable, and cost-efficient in a sector in which there is ample room to improve job quality (particularly child and older adult care, which are rather precarious areas of work).

**2.32 The IDB Group will support job protection and retention laws, with special emphasis on women's employment, reconfiguring and implementing social insurance systems consistent with, and conducive to, the creation of formal jobs.** Emphasis will be placed on creating incentives that encourage formal job creation (for example, reducing the costs of compliance by implementing the electronic invoicing) and promote equal opportunities for men and women in terms of employability and access to jobs, strengthening and digitalizing labor-market, tax, and social protection institutions. For example, with regard to promoting equal employment opportunities, special emphasis will be placed on adapting the legislation to prohibit practices, such as requiring photographs and indication of marital status on job applications, that facilitate gender discrimination.<sup>46</sup> In the long term, systemic changes are needed in the social protection and social security systems and labor laws (lower nonwage costs), as well as tax reforms to increase formal employment, incorporating an approach that incentivizes women's participation in the labor market.

**2.33 The IDB Group will support worker protection systems consistent with a strategy of formal job creation.** As part of its response to the pandemic, the IDB Group has supported the creation of ad hoc arrangements to incorporate formal as well as informal workers into protection systems, laying the foundations for a new social protection paradigm that encompasses broad segments of the population and can adapt to temporary shocks. In the short term, the IDB Group will promote regulations and policy measures to ensure that the social protection systems continue to support transfers, seeking to make certain that they (i) are more efficiently targeted, since in an effort to achieve a rapid expansion, the beneficiary selection filters that have been applied are less rigorous than would have been

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<sup>45</sup> The Bank has proposed options for a safe reopening of schools, as well as strategies aimed at containing the effects of the pandemic on students in the short term and thinking about what shape the educational offering will take following the COVID-19 crisis. See Bos et al. (2020); Berlanga et al. (2020); Rieble-Aubourg et al. (2020); Arias et al. (2020) (see <https://blogs.iadb.org/educacion/es/despues-del-covid-19-que-la-educacion-de-america-latina-y-el-caribe-hacia-el-futuro/>).

<sup>46</sup> Even in cases in which a job announcement specifies that the company is looking to hire a woman, Arceo-Gómez and Campos-Vázquez (2019) find evidence of discrimination against married women.

advisable with better population data and records; (ii) are dynamic, and thus distributed based on the trajectory of the pandemic and how the situation develops for the hardest-hit economic sectors and population groups, such as women; and (iii) incentivize protecting viable employer-employee relationships temporarily affected by the pandemic (changes in the unemployment insurance mechanisms, incentives for businesses) and identify the “newly poor” in structurally affected sectors, who are more employable than the structural beneficiaries of social protection programs, with a view to implementing reskilling programs. These short-term measures are consistent with a medium-term vision that envisages establishing social protection response systems in the event of temporary crises and promoting social protection systems for the “new normal jobs / jobs of the future” (fewer salaried employees, multiemployment, distance work, etc.), ensuring a minimum protection threshold and offering new instruments to promote higher levels of protection based on incentives. The IDB Group will seek to ensure that these systems are not based on employer-employee relationships and thus do not generate additional costs for certain modalities of labor market participation, while promoting mobility and dynamism in the labor market.

- 2.34 **The IDB Group will support the countries of the region in implementing strategies to improve the coverage and equity of their key social insurance programs.** The pandemic has shown the need for substantive reforms in the region’s social insurance systems. These reforms are complex from a technical and policy standpoint, but the IDB Group has the technical capacity and operational experience to support the countries in promoting a high-level technical and policy dialogue for the design of a new generation of social security systems, with labor laws and regulations that take into account the unequal employment paths of men and women and foster women’s economic autonomy. Expanding the coverage of the social insurance system will require redesigning how workers obtain risk protection, as well as policies to promote employment formalization. The IDB Group will support the region’s countries in implementing strategies to improve the coverage of the key social insurance programs with a gender equality perspective, by: (i) uncoupling access to social security from employment status; (ii) providing social security to all workers (not only salaried workers); (iii) identifying complementary sources of financing in addition to, or instead of, employer and worker contributions; (iv) integrating contributory and noncontributory plans with minimum guarantees; (v) strengthening the application of contributions; and (vi) adopting more rights for unprotected occupations and eliminating rules that are harmful for women. Being able to provide support in future crises requires reforms aimed at ensuring the sustainability and equity of the systems by implementing instruments to achieve more efficient, equitable, and sustainable contributory and noncontributory unemployment insurance and pension systems (such as parametric reforms that improve equity, automatic adjustment mechanisms, and modern voluntary pillars). Strengthening the social security institutions is crucial for the reforms and for future sustainability. It is important for the LAC countries to reinforce the capacity of their social security institutions so as to enable them to provide relevant information to businesses, workers, and government, enforce compliance with the mandatory contributions, and prepare for the outstanding reforms. The priorities for modernizing social security institutions include: (i) strengthening the availability of online services for participants; (ii) improving the operational management processes and the organizational structure of the social security

institutions; (iii) improving the social security information and management systems; (iv) improving the institutional capacity to adapt to long-term trends such as demographic changes or the transition to the green economy; and (v) making the social security systems more responsible.

## **B. The IDB Group's value added**

- 2.35 **As the region's largest multilateral source of development finance, the IDB Group offers a series of comparative advantages in terms of coordinating the three thematic areas of intervention of the LAC employment agenda with a gender perspective, applying its characteristic multisector approach:** (i) the IDB Group has supported thousands of businesses and economic sectors in the region through financing, technical assistance, and innovative financial solutions; (ii) the IDB Group has the mandate and the capacity to develop skills in LAC, bringing experience in the design of lifelong, quality, relevant training systems (that offer the skills demanded by the market) that reflect each country's development strategy and involve the production sector; and (iii) the IDB Group can help to adapt and reform the existing regulations to improve how the labor market operates, supporting all countries in the region in introducing the necessary tax, regulatory, and social security and protection changes to adjust to the jobs of the future. From an institutional standpoint, the IDB Group will harness its ability to promote and convene complex and inclusive policy dialogues at the regional, national, and subnational levels to discuss policies relevant to the employment agenda with a gender perspective.
- 2.36 **Furthermore, the IDB Group will act as a catalyst to attract supplementary financing, including cofinancing from other multilateral organizations, and mobilize public- and private-sector resources.** In addition, it will deploy innovative financial and nonfinancial products and instruments such as blended finance, guarantees, technical assistance, and other resources from public- or private-sector donors holding a stake in this agenda. Lastly, this work will be carried out in coordination with IDB Lab as an innovation laboratory that will mobilize financing, knowledge, and connections to support early-stage entrepreneurship and conduct pilots that are aligned with the Employment Action Framework objectives and can later be scaled up through the IDB Group's other instruments.
- 2.37 **Generating knowledge about employment and gender is important for sectoral dialogue and technical support for the countries on these issues.** In recent years, the IDB Group has established itself as one of the main knowledge generators and technical assistance providers in the region. The IDB Group has various publications on production redeployment challenges and support proposals for businesses, analyses and lines of action to expand and improve skills development, and studies on how to improve labor laws and regulations. Recently, the IDB Group has launched the GDLab with the objective of generating knowledge that can assist in designing solutions to promote a closing of the gaps affecting vulnerable populations in Latin America and the Caribbean. The avenues for dialogue that GDLab will open in the region will be used to start strategic discussions on how to activate the pillars of the Employment Action Framework on the basis of the knowledge generated. This knowledge, coupled with an effort to conduct rigorous impact assessments, will in turn enable feedback for the design of new

policies and programs through technical dialogue and an interaction extending well beyond the countries that have entered into loan programs with the Bank.

### **C. Instruments**

2.38 To implement the Employment Action Framework and fulfill its objectives, the IDB Group envisages using the full set of its current financial and nonfinancial instruments.

2.39 Projects aligned with the Employment Action Framework will be financed by the Bank's and IDB Invest's Ordinary Capital and by IDB Lab resources, which may be supplemented by external public- and private-sector resources administered by the Bank, IDB Invest, and IDB Lab.

#### **1. Financial instruments**

2.40 Financial instruments include: (i) sovereign-guaranteed (SG) and non-sovereign guaranteed (NSG) loan operations; (ii) SG and NSG guarantee operations; (iii) IDB Invest and IDB Lab equity investments; (iv) reimbursable technical cooperation operations; (v) nonreimbursable investment grants; (vi) nonreimbursable technical cooperation operations; (vii) gender and diversity social bonds; and (viii) blended finance.<sup>47</sup>

2.41 **Loan and guarantee operations.** The following SG and NSG operations (whether new or either total or partial reformulations) may be aligned with the Employment Action Framework: (i) loan and guarantee operations involving direct or indirect support for businesses; (ii) loan and guarantee investment operations for talent development; and (iii) loan and guarantee investment operations to improve regulations.

2.42 **IDB Invest equity investments.** NSG operations financing businesses and investment funds that invest in businesses in the region to support their growth, gender and diversity social bonds (which are also supported by other parts of the IDB Group), and blended finance.

2.43 **IDB Lab equity investments.** NSG operations financing early-stage startups and venture capital funds (from seed capital to Series B funding rounds, as well as venture debt instruments) that invest in STEM-based or technology-based ventures to support their growth. In addition, IDB Lab may invest directly in women-led startups, with an emphasis on high-growth sectors and STEM.

2.44 **The innovations that this action framework will promote in the future include funding for pay-for-success employment programs.** IDB Lab's recent experience with social impact bonds in Colombia has been transformative, (i) precipitating a change away from the traditional payment systems in which the government pays providers for a predetermined set of training services, regardless of outcome; (ii) forcing the adoption of information systems to supervise employment, formality, and wage outcomes; (iii) mobilizing financing by private investors willing to invest in social programs and accept operational risks; and (iv) giving service providers the capacity to innovate and adapt interventions to the needs of the beneficiaries, which is particularly important for vulnerable populations.

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<sup>47</sup> Each of the instruments listed in this paragraph will be used in accordance with each IDB Group member's capacity, guidelines, and use authorization for granting it.

However, there is a major challenge: the design, execution, and evaluation costs can be high. Creating outcome funds, in which the transaction costs are shared among different projects, can help, as shown by the experience in the United Kingdom. Thus, the Government of Colombia, with the support of IDB Lab and the Bank, has launched an outcomes fund to finance employment projects for the vulnerable population.

2.45 **Reimbursable technical cooperation operations.** The Bank may finance reimbursable technical cooperation operations in accordance with its applicable policies and procedures. IDB Invest may provide NSG reimbursable technical assistance to entities in infrastructure project preparation processes (upstream stage) to collaborate in creating employment with gender perspective in the region. Support may include financial and technical resources to develop preinvestment studies and structure private initiatives or bidding processes, among other objectives. IDB Lab may fund operations and startups that test innovations at early stages and help to create jobs for vulnerable groups with a gender perspective.

2.46 **Nonreimbursable investment grants and nonreimbursable technical cooperation operations.** The Bank may finance technical assistance in the form of nonreimbursable investment grant operations with donor resources administered by the Bank, pursuant to the purpose set out in the respective Donor Agreement. It may also finance technical cooperation operations using Ordinary Capital resources and/or donor resources administered by the Bank to support the preparation and execution of loan and guarantee operations in the thematic areas established under the Employment Action Framework. The Migration Unit will mobilize resources to address Employment Action Framework activities aimed at improving the labor market inclusion of migrants and host communities. IDB Lab, as the IDB Group's innovation laboratory and in accordance with its applicable policies and procedures, may finance nonreimbursable technical cooperation operations and pilots that are aligned with the Employment Action Framework objectives and can later be scaled up through the IDB Group's other instruments.

## **2. Nonfinancial instruments**

2.47 Nonfinancial instruments, which may be funded through technical cooperation operations or IDB Group administrative resources, include: (i) regional policy dialogues (RPD); (ii) training and promotional events; (iii) applied research; (iv) regional and global public-private partnerships with relevant international and local organizations; and (v) IDB fee-based advisory and knowledge services and IDB Invest advisory services for businesses.

2.48 **Regional policy dialogues.** RPDs will efficiently inform the policy-making process by presenting international best practices and encouraging debate among the multiple stakeholders on the reform strategies related the three thematic areas of intervention of the Employment Action Framework. RPDs will not only foster discussions among policymakers, IDB Group staff, and international experts on key issues related to job reactivation with a gender perspective, but also provide an avenue for discussing the design, reformulation, and adoption of policies in this regard. In addition, RPDs will focus on different issues related to job reactivation with a gender perspective following the public agenda of the beneficiary countries and will inform the future operational program of the IDB Group with regard to these issues.

- 2.49 **Training and promotional events.** The IDB Group will continue its efforts to increase the knowledge regarding employment recovery, creation, and transformation with a gender perspective on the part of the various stakeholders. In addition, innovative promotional events will be held with the participation of industry leaders to foster a dialogue between the region's governments and the private sector with the aim of including the private sector in the design, execution, and evaluation stages of projects to support businesses and entrepreneurs, talent development, and tax, regulatory, and labor reforms. Similarly, events will be held to promote women's employment, with a particular emphasis on technology-based and/or STEM ventures, with a view to expanding the professional contact networks of women entrepreneurs, providing them training opportunities and access to mentors and investors able to help them grow their businesses.
- 2.50 **Applied research.** The IDB Group's research agenda will focus on providing solid empirical evidence that can inform policymakers on how to recover, create, and transform jobs with a gender perspective, as well as on how to reinforce the financial operations of the Employment Action Framework through: (i) generation, mapping, and comparative evaluation of data; (ii) impact studies and assessments and sectoral diagnostic assessments; (iii) research pilots based on the behavior economy that incentivize women's employment; (iv) knowledge dissemination and regional networking; and (iv) studies on the women's STEM entrepreneurship ecosystem in the region. For example, GDLab, led by RES and SCL, promotes, leads, and finances high-impact research aimed at a more inclusive and equitable society in the countries of Latin America and the Caribbean. Accordingly, this will be one of the initiatives to be used in the search for strategic partnerships to produce and disseminate new evidence, which will then help to inform both the design of policies and reforms in the region and the operations that the Bank carries out in the field. In addition, with a view to developing products and interventions that respond to the production and social circumstances in each country, the IDB Group will provide the countries that request it with technical support to develop rapid assessments of the reconfiguration of labor supply and demand over the next four years, and develop a roadmap of the interventions that need to be implemented at the level of the three Employment Action Framework pillars (businesses, talent, and regulations) in order to lay the foundations for transforming employment and creating the jobs of the future as well as for developing human capital equipped with the skills and certifications required to perform them.
- 2.51 **Public-private partnerships.** To facilitate dialogue, collaboration, knowledge sharing, joint identification of solutions, and joint prioritization of actions by the governments and the private sector for job recovery, creation, and transformation with a gender perspective, the IDB Group will continue to promote public-private partnerships such as the Gender Parity Initiatives (GPI), 21st Century Skills Initiative, and Mesoamerica Education. In addition, the IDB Group will continue its partnership with the World Economic Forum (WEF) to promote gender- and employment-related issues.
- 2.52 **Coordination and collaboration with other multilateral banks and development agencies.** To ensure that the actions envisaged in this Employment Action Framework complement other national, subregional, and regional initiatives, the IDB Group will work in partnership and coordination with the international organizations, bilateral agencies, and regional development banks that operate and

invest in LAC, such as the World Bank, Development Bank of Latin America (CAF), Caribbean Development Bank, Corporación Financiera de Desarrollo, European Union, French Development Agency (AFD), UN Women, OECD, International Labour Organization (ILO), and the Agencia Presidencial de Cooperación Internacional de Colombia [Colombian Presidential Agency for International Cooperation] (APC), with a view to maximizing the impact of the specific operations. In addition, the IDB Group has available funding from the Women Entrepreneurs Finance Initiative (We-Fi)<sup>48</sup> to implement multiple initiatives that contribute to this action framework.

- 2.53 **IDB fee-based advisory and knowledge services and IDB Invest advisory services.** The Bank may provide advisory and knowledge services in the thematic areas of the Employment Action Framework through its professional staff in exchange for fees payable by the eligible clients receiving the services. IDB Invest may provide advisory services to businesses in IDB borrowing member countries with a view to building capacities to harness the opportunities for job recovery, creation, and transformation with a gender perspective in LAC.

#### **D. Governance**

- 2.54 **Technical coordination.** The IDB's Social Sector (SCL) will act as technical coordinator for the Employment Action Framework. For IDB Invest operations, the IDB Invest Strategy and Development Department (DSP) will act as the focus point. For IDB Lab operations, the IDB Lab Discovery Unit will act as technical coordinator and the Strategy and Impact Unit (LAB/STI) will act as the focus point for monitoring. SCL, as well as DSP and LAB/STI, will annually record the operations that are aligned with the Employment Action Framework out of the respective reimbursable, nonreimbursable, and investment grant operations, whether using IDB Ordinary Capital and IDB Invest resources or IDB Lab resources and donor resources administered by the IDB, IDB Invest, or IDB Lab. This governance mechanism is aimed at optimizing and boosting IDB Group support for projects designed to drive job recovery, creation, and transformation in the region with a gender perspective. Centralizing governance in a sector of the IDB and coordinating with IDB Invest and IDB Lab will not only ensure technical quality and rigorous alignment of the financed operations and nonoperational activities, but also make it easier to identify them and provide accountability to stakeholders. Opportunities for alignment of activities and operations will be identified in close collaboration with the sector divisions and country departments, using the existing tools for portfolio programming and review. The communication and knowledge generation strategy of the Employment Action Framework will be coordinated by SCL in collaboration with the IDB's Knowledge, Innovation, and Communication Sector (KIC), Research Department (RES), and Vice Presidency for Countries (VPC).

- 2.55 **Programming.** In accordance with the regular procedures of the IDB Group, the dialogue with borrowing member countries and the resulting inclusion of projects and activities that are aligned with the objectives and outcomes of the Employment Action Framework (see Annex I – Results Matrix of the Employment Action Framework) will take place as part of the IDB Group's relevant programming

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<sup>48</sup> We-Fi is a financial intermediation fund and the Bank acts as an implementing agency of the fund, which is administered by the World Bank.

exercise. In addition, the IDB Group will finance operations as needs arise in the countries. The regular programming process will also be adhered to in the case of IDB Invest and IDB Lab.

- 2.56 **Identifying opportunities for alignment of projects and activities with the Employment Action Framework:** For the Bank, this identification process will be twofold, carried out at the sector level and at the country level. It will be carried out simultaneously with the process used by the Gender and Diversity Division (GDI) to identify operations that are aligned with the issues of gender and diversity.<sup>49</sup> At the start of each year, a review will be conducted of 100% of the IDB Group's project portfolio consistent with the Country Programming Documents spearheaded by VPC and the data incorporated into the Bank's systems. This review will identify projects in all sectors and regions that could potentially be included within the Employment Action Framework. This initial review will be followed by periodic (at least quarterly) meetings to analyze how the opportunities for action in the various sectors are materialized. These periodic meetings will be held with each sector's focal points and those responsible for measuring project outcomes in the IDB Invest Strategy and Development Department, the IDB Lab Strategy and Impact Unit (LAB/STI), and the Bank's Strategy Development Division (SPD/SDV). In addition, SCL will hold periodic meetings with the Country Departments at VPC to identify new opportunities arising at other times of the year, particularly through country dialogues, as well as to identify projects in the execution portfolio that could serve to make visible and/or measure outcomes that contribute to job recovery, creation, or transformation with a gender perspective.
- 2.57 **Operational policies and procedures.** The processing, approval, and implementation of operations that are aligned with the Employment Action Framework will be governed by the current policies and procedures of the IDB Group, including the new Environmental and Social Policy Framework.
- 2.58 **Determining the alignment of loan and guarantee operations.** In the case of loan and guarantee operations seeking alignment with the Employment Action Framework, the IDB Group's technical teams will ensure that the respective project is fully or partially consistent with the matrix of activity examples by prioritized thematic area (Annex I). In the case of Bank loan and guarantee operations, SCL will confirm in writing the projects' alignment with the Employment Action Framework when the relevant Eligibility Review Meeting (ERM) is held. In the case of IDB Invest loan and guarantee operations, the projects' alignment with the Employment Action Framework will be confirmed in writing upon declaration of the projects' eligibility by IDB Invest.
- 2.59 **Determining the alignment of nonreimbursable financing operations.** In the case of nonreimbursable operations financed with Ordinary Capital resources or donor funds, the technical teams will ensure that the respective project is fully or partially consistent with the objectives, outcomes, and outputs of the matrix of activity examples by prioritized thematic area (Annex II). The eligibility of nonreimbursable financing operations will be determined in accordance with the Bank's rules and procedures and the guidelines set out in the Operational Procedures for the Eligibility and Strategy Committees (ESCs). In the case of nonreimbursable operations

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<sup>49</sup> Update to the Gender Action Plan 2020-2021, paragraph 3.18.

financed by IDB Lab, eligibility will be determined in accordance with the procedures established by IDB Lab. The We-Fi fund is also available to accelerate financing, access to value chains, and training for women entrepreneurs.

## **E. Mobilizing donor resources**

- 2.60 **It is estimated that, in the aftermath of the COVID-19 pandemic, investment needs in LAC will exceed the capacity of both the region's governments, which will be subject to strong fiscal constraints, and the development institutions.** In view of this scenario, it is essential to mobilize private-sector resources to supplement the resources of the IDB Group. Accordingly, the IDB Group, through the Office of Outreach and Partnerships Resource Mobilization Division (ORP/REM) and in coordination with IDB Invest and IDB Lab, will systematically work on mobilizing resources. Considering that private investor resources are mobilized on market terms and prices, there should also be blended finance resources available to encourage high-impact transactions when warranted by the existing conditions.
- 2.61 **Donor coordination.** The Office of Outreach and Partnerships (ORP), through its relevant units and offices and in coordination with SCL, will develop a suitable strategy and direct any resource mobilization activities carried out by both public- and private-sector donors in any of the areas of intervention and support modalities of the Employment Action Framework.
- 2.62 **Administration of donor resources.** Donor contributions will be administered in accordance with the terms and conditions of the individual agreements entered into between the IDB Group and each donor. Under these agreements, donor resources may be used to finance independent individual technical cooperation or investment grant operations, or in combination with Ordinary Capital investment loans. All operations will also be subject to the IDB Group's operational policies and procedures.

## **F. Expected outcomes**

- 2.63 The expected outcomes of the Employment Action Framework are: increase in quality employment for men and women, with a view to closing the gender gaps (see Annex I – Results Matrix of the Employment Action Framework);<sup>50</sup> increase in resources mobilized to protect and create quality jobs; increase in individuals steered to vacant positions in the production sector; increase in individuals trained in skills required by the public and private sectors; increase in secondary, technical, and vocational school graduates; improvements in the functioning of the labor market; approved regulatory measures (with an emphasis on gender); and improvement in social security coverage and equity. The Results Matrix of the Employment Action Framework may periodically be modified in coordination with the Office of Strategic Planning and Development Effectiveness (SPD) and DSP.
- 2.64 Projects that are aligned with the Employment Action Framework will need to implement actions aimed at achieving one or more of the following outcomes in the region: resources mobilized to protect and create quality jobs; women's employment resulting from operations supported by the IDB Group; employment resulting from

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<sup>50</sup> In Annex I, the number of IDB Invest projects aligned with the Employment Action Framework is a projection rather than a target in itself.

operations supported by the IDB Group; individuals steered to vacant positions in the production sector; individuals trained in skills required by the public and private sectors; secondary, technical, and vocational school graduates; improvements in the functioning of the labor market; submittal of regulatory measures (with an emphasis on gender); and improvement in social security coverage and equity in the region (See Annex II – Thematic Matrix of the Employment Action Framework).

**ANNEX I. RESULTS MATRIX OF THE EMPLOYMENT ACTION FRAMEWORK WITH A GENDER PERSPECTIVE**

Results Matrix of the Employment Action Framework				
Update to the Institutional Strategy	Regional challenges	Social exclusion and inequality Low productivity and formality levels Gaps in women's labor market participation	Crosscutting themes	Gender equality and diversity Climate change and environmental sustainability Institutions and rule of law
General objective	The general objective of the Employment Action Framework is to coordinate the current instruments of the IDB Group to guide IDB Group Management in preparing reimbursable and nonreimbursable operations, as well as in implementing nonoperational activities that can help to materialize the opportunity created by employment recovery with a gender perspective in LAC			
Indicators	indicator 1	# of SG reimbursable loan operations that are aligned with the Employment Action Framework (IDB)		
	indicator 2	# NSG reimbursable loan operations that are aligned with the Employment Action Framework (IDB Invest and IDB Lab)		
Targets	Target 1	207 SG reimbursable loan operations that are aligned with the Employment Action Framework		
	Target 2	373 NSG reimbursable loan operations that are aligned with the Employment Action Framework		
Action framework outputs	Policy dialogues Institutional training Strategic partnerships Advisory and knowledge services			

## ANNEX II. THEMATIC MATRIX OF THE EMPLOYMENT ACTION FRAMEWORK WITH A GENDER PERSPECTIVE

Thematic matrix									
Update to the Institutional Strategy	Regional challenges	Social exclusion and inequality				Crosscutting themes	Gender equality and diversity		
		Low productivity and innovation levels					Climate change		
Thematic area of intervention	Businesses and entrepreneurs			Talent			Regulations		
	Institutions and rule of law								
General objective	Help to recover, create, and transform employment with a gender perspective in Latin America and the Caribbean								
Objectives	Recover the jobs lost in the pandemic and create new quality jobs, with special emphasis on increasing women's employment			Equip individuals with the skills required for lifelong learning and employment success			Strengthen the labor institutions, laws, and regulations to improve the functioning of the labor market		
Outcomes	Resources mobilized to protect and create quality jobs	Women's jobs created as a result of operations supported by the IDB Group	Jobs created as a result of operations supported by the IDB Group	Individuals steered to a vacant position in the production sector	Individuals trained in skills in demand in the public and private sector	Graduates of secondary, technical, and vocational schools	Proposed regulatory measures (with an emphasis on gender)	Improvement in social security coverage in the region	Improvement in social security equity in the region
Outputs	Business financing to create jobs			Upskilling and/or reskilling programs (upgrading of skills in a short period of time to adjust to market requirements).			Programs to support changes in labor legislation		
	Business financing to protect jobs			Training programs for active workers			Programs to support changes in the functioning of the labor market		
	Technical assistance or extension services for businesses			Apprenticeship and internship programs			Programs to support greater job flexibility		
	Financing of job-creating infrastructure projects			Sector-specific diagnostic assessments and skills development plans			Studies on labor legislation		
	Business innovation and digital transformation support programs			Innovations to boost women's employment and new forms of employment			Studies on legislative changes favoring the creation of quality jobs		
	Job transition support programs (information, guidance, and intermediation)			Programs to support the development of entrepreneurial skills			Programs to support tax modifications related to the creation of quality jobs		
	Financing and technical assistance for women-led MSMEs			Programs to develop sector-specific skills			Programs to support legislation on remote work and new employment modalities		
	Programs that increase and improve the quality of women's employment			Socioemotional, digital, and basic skills development programs			Programs to support social security reforms, including new employment modalities		
	Equity investments in businesses and startups led by women and/or that boost and improve women's employment			Secondary, technical, and vocational education support programs			Development of proposals to improve the social security systems		
	Programs to support women entrepreneurs			Higher education support programs			Development of proposals to improve workers' social protection		
	Financing for businesses that are creating employment platforms			Social impact bond and pay-for-success programs (with an emphasis on women and vulnerable groups)			Programs to support increased coverage and equity in the social security system		
	Financing for businesses that are creating new employment modalities			Green economy skills development program			Programs to support labor reforms		
Pay-for-success programs for access to finance by women-led businesses			STEM skills development programs for women entrepreneurs			Labor legislation modifications to boost women's employability (quotas for women in leadership positions, childcare support)			

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