



SOCIAL PROTECTION DURING THE PANDEMIC: ARGENTINA,  
BRAZIL, COLOMBIA AND MEXICO

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### ABSTRACT

In this paper we analyze the COVID-19 policy responses in social protection and evaluate to what extent have these measures potentially mitigated the impact of pandemic on inequality and poverty in the region's four largest countries: Argentina, Brazil, Colombia and Mexico. There is a considerable variation in the governments' policy responses and in terms of speed, breadth, and size. All nations put in place some measures to protect the livelihood of formal workers, which included prohibition of layoffs, salary and work hours reductions, and furloughs. Argentina, Brazil and Colombia launched programs to subsidize formal sector employment in companies that were hard hit by the crisis, and Mexico provided loans to small and medium size enterprises. All countries maintained intact their existing non-contributory transfer programs, and Argentina, Brazil and Colombia launched new emergency cash transfer programs, while Mexico did not. Substantial expansions of existing social assistance or entirely new programs have been able to offset a significant share of the poverty caused by the crisis in Argentina and Brazil, and to a lesser extent, Colombia.

**JEL Codes:** D31, I14, I31, I32, I38

**Keywords:** Covid-19, social protection, poverty, inequality, health, education, Latin America

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# Social Protection During the Pandemic: Argentina, Brazil, Colombia and Mexico<sup>1</sup>

Merike Blofield, Nora Lustig and Mart Trasberg<sup>2</sup>

December 16, 2020

The novel coronavirus has hit Latin America very hard. On the health front, these two indicators stand out: with only 8.2% of the world population (640 million people), by October 2020 the Latin American and Caribbean region had 28% of all cases (9.3 million) and 34% of all deaths (341,000). On the economic front, the IMF projected the Latin American economies to contract by 8.1% this year in its October 2020 forecasts.

The pandemic, people's response to fend off contagion, and the measures designed to contain the spread of the virus placed an enormous toll on the region's living standards. Governments faced the challenge of reaching three groups of people: formal sector workers in social security (and their dependents), recipients of existing non-contributory cash transfer programs and their dependents, and finally, the households whose members worked in the informal sector and were part of neither social protection system.

There is a lot of variation in the governments' policy responses and in terms of speed, breadth, and size. Drawing from Blofield, Giamb Bruno and Filgueira (2020) and Lustig et al. (2020), we describe the policy responses in social protection and to what extent these measures have potentially mitigated the impact of COVID-19 on inequality and poverty in the region's four largest countries: Argentina, Brazil, Colombia and Mexico.<sup>3</sup>

Argentina, Brazil and Colombia had unemployment insurance programs in place, but they were too small in scale to fully mitigate the effect of the pandemic to formal sector workers. In addition to that, in all four countries a share of formal workers were legally entitled to indemnization when laid off. During COVID-19, additional emergency measures were introduced. For instance, Argentina and Mexico prohibited lay-offs. In order to stave off mass

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<sup>1</sup> We thank Ramiro Albrieu, Raymundo Campos Vázquez, Mauricio Cárdenas, Cristina Fernández and Sergei Soares for helpful comments regarding the social policy measures in their countries. Any errors or omissions are our sole responsibility.

<sup>2</sup> Merike Blofield is Director of the GIGA Institute for Latin American Studies and Professor of Political Science at the University of Hamburg. Nora Lustig is Samuel Z. Stone Professor of Latin American Economics and Founding Director of the Commitment to Equity Institute at Tulane University. She is a nonresident Senior Fellow at the Brookings Institution, the Center for Global Development and the Inter-American Dialogue. Mart Trasberg is a Ph.D. candidate in the Department of Political Science at Tulane University.

<sup>3</sup> Merike Blofield, Cecilia Giamb Bruno and Fernando Filgueira (2020). "Policy expansion in compressed time: Assessing the speed, breadth and sufficiency of post-COVID-19 social protection measures in 10 Latin American countries." ECLAC Social Policy Series. Nora Lustig, Valentina Martínez-Pabon, Federico Sanz and Stephen Younger (2020). "The Impact of COVID-19 Lockdowns and Expanded Social Assistance on Inequality, Poverty and Mobility in Argentina, Brazil, Colombia and Mexico." Covid Economics: Vetted and Real-Time Papers, Issue 46, Center for Economic Policy Research (CEPR).

unemployment and bankruptcies, Argentina, Brazil and Colombia also launched programs to subsidize formal sector employment in companies that were hard hit by the crisis, and Mexico provided loans to small and medium size enterprises in the formal and informal sector. Brazil authorized furloughs and allowed for salary reductions under some restrictive conditions alongside with Argentina and Colombia.

**Table 1. Social Protection under Covid-19: Existing and New Measures Towards Formal Workers**

Measure		Argentina	Brazil	Colombia	Mexico
<b>Unemployment insurance</b>		Yes	Yes	Yes	No
	<i>% of workers enrolled in social security systems</i>	50%	65%	39%	32%
	<i>Eligibility requirements</i>	Formal workers (gradations of eligibility depending on the number of contributions)	Formal workers (gradations of eligibility depending on the number of contributions)	Formal workers (gradations of eligibility depending on the number of contributions)	—
	<i>Change during the pandemic?</i>	Yes	No	No	—
	<i>Payments/Duration of benefits</i>	Monthly/ 2-12 months <b>Lengthened in April</b>	Monthly/3-5 months	Monthly/3 months	—
	<i>Size of benefits</i>	Max. 10,000 pesos (USD 137) <b>Raised in April</b>	1-1.7 minimum wages	Two minimum wages (spread over three months)	—
	<i>Applications/beneficiaries</i>	120 000 beneficiaries in April-May	5.4 million applications between January and September	800 000 applications/109 000 beneficiaries between March-June	—
<b>Wage subsidies</b>		Yes	Yes	Yes	No <sup>4</sup>
	<i>Recipients/Eligibility requirements</i>	All firms (gradations according to firm size)	Emergency benefit for workers furloughed or whose work hours were reduced	Small and medium-sized companies	—
	<i>Payments/Duration of benefits</i>	Monthly/April-December	Monthly/ April-October	Monthly/ April - March 2021	—
	<i>Size of benefits</i>	1-2 minimum wages	Calculated on the basis of the unemployment benefit, with a floor of one minimum wage	Subsidy worth of 40% of the minimum wage per worker	—
	<i>Number of beneficiaries</i>	1.7 million (Nov 2020)	16 million (in August 2020)	2.4 million (June 9)	—
		Yes (until the end of December)	No	No	Yes

<sup>4</sup> Mexico did not have a wage subsidy program, but provided loans of 25,000 pesos (US\$1,134) for one million individuals with small and medium size enterprises in the formal and informal sector starting from April.

<b>Prohibition of layoffs</b>				
<b>Work hours reduction</b>	No	Yes (120 days starting from April)	No	No
<b>Salary reduction</b>	Yes	Yes	Yes	No
<b>Furloughs</b>	No	Yes	No	No
<b>Indemnization</b>	Yes	Yes	Yes	Yes

**Note:** the information included above comes from a variety of sources, including the press. Thus, the list is not necessarily exhaustive and there may be errors and/or inaccuracies.

**Source:** Adapted from Merike Blofield, Cecilia Giamb Bruno and Fernando Filgueira (2020). “Policy expansion in compressed time: Assessing the speed, breadth and sufficiency of post-COVID-19 social protection measures in 10 Latin American countries.” ECLAC Social Policy Series.

All four governments maintained their existing anti-poverty noncontributory cash transfer programs intact. However, while Argentina, Brazil and Colombia expanded existing transfers programs, Mexico did not. In addition, Argentina, Brazil and Colombia launched new emergency transfer programs. Contrary to what analysts feared, Argentina and Brazil in particular were able to reach previously uncovered households by social protection schemes in quite a large scale, even if they were not included in the existing administrative registries. In these two countries, the governments relied on self-targeting and demand-driven mechanisms. This allowed the cash transfers to reach more rapidly and effectively those who needed them. In contrast, the Colombian government maintained a narrow eligibility criterion based on existing registries and did not allow individuals to self-identify and apply. The total number of beneficiaries in Colombia thus remained much smaller than in Argentina and Brazil (Table 2).

**Table 2. Social Protection under Covid-19: New and Expanded Social Assistance**

Program		Argentina		Brazil	Colombia					Mexico
		AUH / AUE	Ingreso Familiar de Emergencia *	Auxilio Emergencial*	Familias en Acción	Jóvenes en Acción	Colombia Mayor	Ingreso solidario*	Bogotá solidaria*	
<b>Target population of new programs</b>		-	Vulnerable, Informal workers	Vulnerable, Informal workers	-	-	-	Vulnerable, Informal workers	Vulnerable, Informal workers	No additional social assistance
<b>Number of transfers</b>		1	3	5	3	3	3	3	3	
<b>Amount of the transfers</b>	LCU	ARG\$ 3,100	ARG\$10,000	R\$600	COL\$14 5,000	COL\$356,000	COL\$160,000	COL\$160,000	COL\$233,000	
	USD	US\$46	US\$148	US\$107	US\$38	US\$92	US\$42	US\$42	US\$60	
<b>Transfer as % of poverty line</b>	National	34.7	111.9	120.2	58.7	144.1	64.8	64.8	94.3	
	\$5.50 PPP	77.5	249.8	138.4	52.5	128.9	57.9	57.9	84.4	

<b>Total beneficiaries (administrative data)</b>		4.3 million people	9 million people	65.9 million people <sup>5</sup>	2.6 million households	204 thousand people	1.7 million people	3 million households	300 thousand households
<b>Fiscal cost in % of GDP</b>		0.06%	1.14%	1.95%	0.10%	0.02%	0.07%	0.13%	0.01%

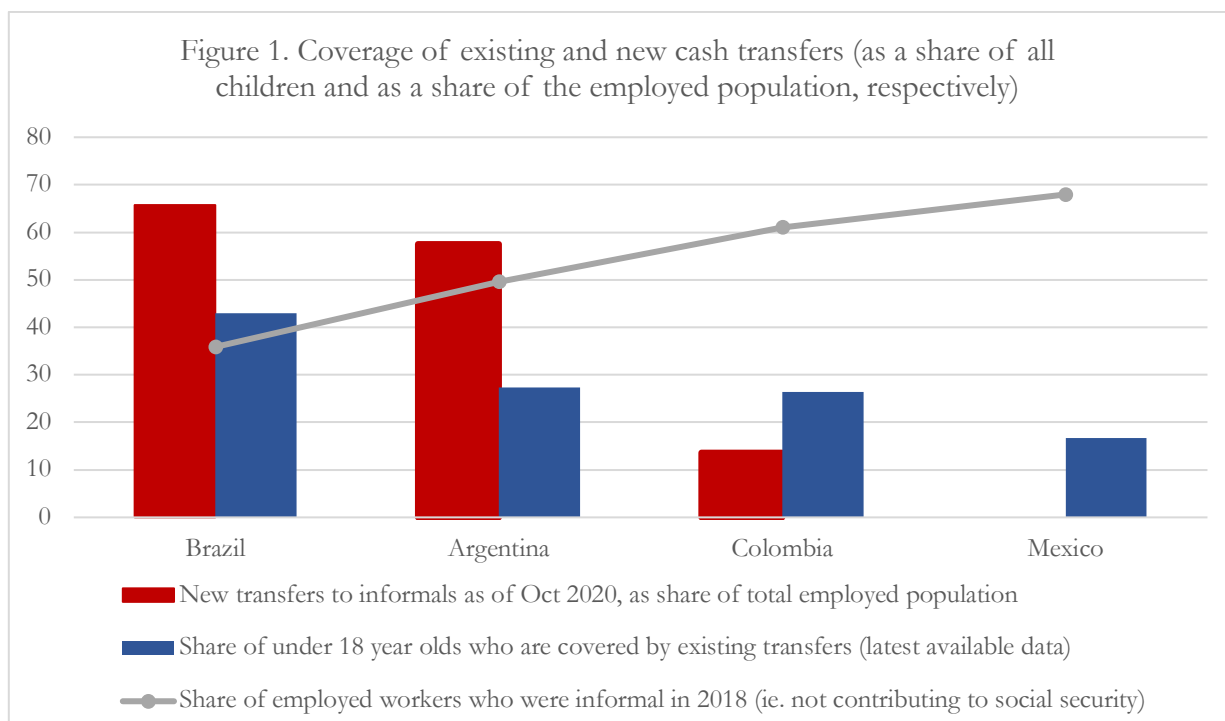
**Notes:** \* refers to new social assistance programs that were introduced in the first months of lockdowns; the list is not necessarily exhaustive; for example, Tarjeta Alimentar (“Food Card”) in Argentina is an important program but details were not available (at least to the authors) so it was not included in this table. Amount of the transfer in (local/USD) prices of May 2020. The number of beneficiaries and the fiscal cost are approximate.

**Source:** Adapted from Nora Lustig, Valentina Martínez Pabón, Federico Sanz and Stephen D. Younger (2020). “The Impact of COVID-19 Lockdowns and Expanded Social Assistance on Inequality, Poverty and Mobility in Argentina, Brazil, Colombia and Mexico.” Covid Economics: Vetted and Real-Time Papers, Number 46, Center for Economic Policy Research (CEPR).

Figure 1 indicates that there is considerable variation in the coverage of both existing and new cash transfer programs among children and total employed population. The grey line shows the share of the total employed population that is in the informal sector (that is, not actively contributing to social security), as of 2018. The red bar shows recipients of new transfers as a share of the total employed population and the blue bar shows the share of children that are covered by the existing cash transfer programs. In Brazil and Argentina, the number of new cash transfer recipients exceeds the number of workers in the informal sector, effectively closing the social protection gap. In Colombia, the coverage is only around 20% of the informal workers’ population, which leaves a large portion of the latter unprotected. Finally, Mexico had no new national-level cash transfer programs for informal workers. On top of that, the coverage of existing transfers among the population under 18 years old (the blue bars) is very low.

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<sup>5</sup> 65.9 million total beneficiaries of Auxilio Emergencial (AE) includes 46.7 million new recipients, and 19.2 million beneficiaries that moved from existing Bolsa Familia program to AE, which increased their benefits from a maximum of \$R372 to \$R600. Out of the total of 65.9 million beneficiaries, 51 million were included in the simulations by Lustig et al. (2020).



**Source:** Adapted from Merike Blofield, Cecilia Giambruno and Fernando Filgueira (2020). “Policy expansion in compressed time: Assessing the speed, breadth and sufficiency of post-COVID-19 social protection measures in 10 Latin American countries.” ECLAC Social Policy Series.

### *Argentina*

The Argentine response was marked by its speed. At the onset of the pandemic, Argentina had an unemployment insurance for formal workers, constituting 50% of the workforce. The program had gradations of eligibility depending on the number of contributions, covering between 2 and 12 months. To protect the livelihoods of formal workers, the government also put in place a variety of new measures. In March 2020, the executive announced the temporary extension of unemployment insurance for those whose benefits were about to expire (in place until the end of 2020) and increased the size of unemployment benefits. In April, the government decreed a sixty-day prohibition on any lay-offs (later extended until the end of December), while providing subsidies for workers’ salaries until the end of December (the benefits vary between one and two minimum wages). More than 1.7 million workers have benefitted from this subsidies program (as of November 2020).<sup>6</sup>

The government also enacted new measures to provide protection to informal workers. First, in March it announced extra payments to all those covered by Argentina’s non-contributory social protection systems, including the Asignación Universal por Hijo (AUH, “Universal Benefit per Child”), the income-support program for the disabled, and non-contributory pensions. The

<sup>6</sup> El Cronista, 11.11.2020, at <https://www.cronista.com/economiapolitica/ATP-manana-abren-la-inscripcion-a-empresas-que-necesiten-el-subsidio-para-pagar-los-salarios-de-octubre-20201108-0009.html>.



government announced a one-time increase of ARG \$3,100 (US\$46) for AUH, a conditional cash transfer program for children and adolescents (younger than 18 years old) living in poverty or vulnerability situation. Second, the government also established a new Ingreso Familiar de Emergencia (IFE, “Emergency Family Income”) cash transfer program. The rules of this transfer program included all those in the existing non-contributory programs, but also the unemployed, the self-employed in lower-income categories, and domestic workers excluded from other programs. It had the objective to provide three transfers of ARG \$10 000 (US\$148) and had an estimated fiscal cost of 1.14% of GDP.

The government relied on self-targeting – through letting households and individuals themselves apply for these transfers – which allowed the program to reach more rapidly and effectively those who needed it. By the end of April, over 7.8 million people had received the IFE transfer, and by June, the total reach was almost 9 million recipients. Delivery was slowed due to the difficulties in reaching 2.4 million beneficiaries without bank accounts.<sup>7</sup> A second and third transfer were delivered throughout the months of June, July and August. In early November, the government announced it would not make an additional transfer, but rather bolster the AUH and other programs.

Expanded and new social assistance programs are mitigating the effects of Covid-19 pandemic on inequality and poverty in Argentina considerably. Lustig et al. (2020) suggest that in the absence of any mitigating measures, inequality in (primarily) urban areas would have increased quite a bit: from a pre-pandemic Gini coefficient of 0.44 to up to 0.47.<sup>8</sup> With the expanded social assistance, inequality may have risen to 0.45 instead. The incidence of poverty could have risen from 11% to 16%, and the number of poor could have risen from 3.1 million to 4.7 million, or by 1.6 million individuals.<sup>9</sup> With the expansion of existing and new social assistance programs, the increase could be closer to 0.6 million. With the national poverty line, the incidence of poverty could have risen from around 36% to 44%, and the number of poor could have risen from 10 million to 12.4 million, or by 2.4 million individuals. After considering the effects of new social assistance programs, the increase could be around 1.7 million.

### *Brazil*

Over the course of March and April 2020, Brazil enacted unprecedented measures to overcome the effect of Covid-19 lockdown measures, which went farther than in any other country in Latin America. In Brazil, 65% of workers are in the formal sector, and those who met the requirements were eligible for unemployment insurance, which lasts between three to five months and has a benefit ranging from one to about 1.7 times the minimum wage. In April, the government also

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<sup>7</sup> Página12, 11.7.2020, at <https://www.pagina12.com.ar/277812-el-ife-llego-a-los-sectores-mas-sumergidos-e-invisibilizados>.

<sup>8</sup> These results are based on microsimulations that include benefits through June 2020. Argentine household surveys cover roughly 62% of the population, primarily living in urban areas.

<sup>9</sup> Measured with the international poverty line of US\$5.5 per day in purchasing power parity.

allowed laid-off workers to withdraw from their individual indemnization accounts.<sup>10</sup> The government also instituted a subsidy program to maintain formal employment, which provided a minimum wage floor for workers who were furloughed or whose work hours were reduced due to the pandemic. The monthly program was in operation during 6 months from April to October. By August 2020, 16 million workers were part of this program.<sup>11</sup>

Government's efforts reached even farther in providing income support to informal workers. Given that many households experiencing income losses did not qualify for existing non-contributory transfer programs, such as Bolsa Familia, the existing social assistance was considered insufficient by the Brazilian Congress and civil society organizations. An opposition-led bill establishing a new temporary cash transfer program, Auxílio Emergencial (AE, "Emergency Aid"), was unanimously passed by Congress at the end of March of 2020, and the government began the implementation in April. The AE is targeted to low-income informal workers, the self-employed, and those already registered in Bolsa Familia, who are eligible to receive this transfer in lieu of their regular Bolsa Familia transfer.

The AE is by far the largest social protection program to mitigate the Covid-19 effects in Latin America. The monthly transfer of \$600 Reales (about US\$107) represents around 120% of the national poverty line. Similar to other emergency cash transfer programs in Latin America, the implementation of AE was slower than expected, but broad coverage was achieved by late June, with the program reaching about one-third of Brazilians, and spending on the program was around 2% of GDP. Legislative pressure pushed the government to extend the emergency assistance through to the end of the year, but at half the amount (about US\$54 per month) starting from October 2020 onwards.

The microsimulations by Lustig et al. (2020) indicate that the AE mitigated the effect of the pandemic on inequality and poverty in Brazil.<sup>12</sup> In the absence of any mitigating measures, inequality would have increased from an already very high pre-pandemic Gini coefficient of 0.55 to up to 0.56. The incidence of poverty measured with the international poverty line of US\$5.5 per day (in purchasing power parity) would have increased from around 25% to around 28%, and the number of poor could have risen from 53 million to 58.8 million, by 5.8 million individuals. With the national poverty line, the incidence of poverty could have risen from around 28% to 32% and the number of poor from 58 million to 65.5 million, or by 7.5 million individuals. It is notable that given the size of the AE program, both inequality and poverty could be even lower than the pre-pandemic levels once one takes into account the expansion in social assistance in the microsimulations. Inequality might have declined from 0.55 to 0.54, and 3.4 million individuals could get out of poverty, using the US\$5.5 per day poverty line. With the national poverty line, the number of poor is likely to decline by 0.7 million.

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<sup>10</sup> Ministerio de Economía, 7.12.2020, at <http://antigo.trabalho.gov.br/fundo-de-garantia-do-tempo-de-servico-fgts>. These are contributory individual worker indemnization accounts that allow for withdrawals in cases of major life events, including lay-offs.

<sup>11</sup> Congresso em Foco, 21.8.2020, at <https://congressoemfoco.uol.com.br/economia/guedes-anuncia-prorrogação-de-programa-emergencial-de-emprego/>

<sup>12</sup> The results shown here include benefits through June 2020.

## *Colombia*

In Colombia, the mitigation measures for both formal and informal workers did not reach levels similar to Argentina and Brazil. At the onset of the pandemic, Colombia had an unemployment insurance program based on individualized accounts for the 39% of workers who are formally employed and who meet certain eligibility requirements (at least 12 social security contributions over the past five years). The transfer is equivalent to two minimum wages over a period of three months. However, given that unemployment insurance is privately funded, decentralized, and with limited resources and reach, it proved to be insufficient for compensating for income losses during the pandemic. By late June, nearly 800 000 applications for unemployment insurance had been received, but only 109,000 people had actually been granted insurance. Given the high number of newly unemployed workers on the waiting list, the government moved in early June to authorize some of these individuals to be included in the non-contributory Ingreso Solidario transfer (described below).

In March, the government also allowed for salary reductions of workers “based on mutual accord”, but the reduction could not fall below the minimum wage. Workers experiencing wage losses were also authorized to withdraw funds from their social security accounts to compensate for the wage reduction. In May, the government issued a decree to subsidize worker wages in small and medium-sized companies. Companies that had seen at least a 20% decrease in their income could apply for a monthly benefit worth of 40% of the minimum wage per worker, for up to four months. By June, 2.4 million Colombians had received their first transfer through this program. In October, Congress passed a law expanding this program and extending the subsidies until March 2021.<sup>13</sup>

Before the pandemic, Colombia’s non-contributory programs covered 1.7 million elderly, families with children, low-income youth in educational institutions, and the disabled. Familias en Acción (FA) program, a conditional cash transfer program for children and adolescents (younger than 18 years old) living under food insecurity conditions, reached about 26% of children in Colombia. In March 2020, the government announced an extra transfer of 145,000 pesos per month (US\$38) to be added on top of the regular end-of-March transfer, bringing the average transfer a household received up to 334,000 pesos per month (US\$86). Over the course of the year, the government repeatedly authorized the extra transfers to be provided, along with the regular payments, until the end of the year.<sup>14</sup> Additionally, the government also anticipated the implementation of a new value-added tax reimbursement program, starting from April. The compensation amounts to 75,000 pesos (US\$20.5) bimonthly per household and is focused on

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<sup>13</sup> Dinero, 13.10.2020, at <https://www.dinero.com/economia/articulo/hasta-cuando-estara-el-programa-de-apoyo-al-empleo-formal/303294>

<sup>14</sup> Semana, 6.11.2020, at <https://www.semana.com/economia/articulo/inicia-el-quinto-pago-de-familias-en-accion-esto-es-lo-que-debe-saber/202042/>

the one million poorest households in the FA and non-contributory pensions programs. By September, three payments were received by the poorest recipients of these programs.<sup>15</sup>

Similar to Argentina and Brazil, the Colombian government also created a new cash transfer program – Ingreso Solidario (IS, “Solidarity Income”) – for three million families in the informal sector not included in existing programs in April 2020. Unlike the new programs in Argentina and Brazil, the IS did not encompass families in the existing non-contributory programs but remained a separate program. Moreover, the size of the transfer was set at a lower level than in Argentina and Brazil. The transfer is roughly equal to 65% and 58% of the national and US\$5.5 PPP per day poverty line, respectively, and entails a fiscal cost of .013% of GDP. The beneficiaries were selected by the government on the basis of existing registries, without the opportunity for individuals or households to self-identify and apply for aid. One study showed that 1.9 million poor and vulnerable households in need of government assistance missed the threshold for eligibility by a narrow margin.<sup>16</sup> The IS covered only 20% of the informal workforce in the country, leaving a considerable social protection gap. At the end of June 2020, the government declared the IS program would run through the end of the year so at least the families in the program would continue to receive benefits for a longer period.

Based on the microsimulations by Lustig et al. (2020), in the absence of any mitigating measures, inequality in Colombia could rise from a pre-pandemic Gini coefficient of 0.55 to up to 0.56.<sup>17</sup> The incidence of poverty measured with the international poverty line of US\$5.5 per day (in purchasing power parity) could increase from around 38% to around 43% and the number of poor from 18.4 million to 20.9 million, or by 2.5 million individuals in 2020. With the national poverty line, the incidence of poverty could have risen from around 32% to 37% and the number of poor could have risen from 15.6 million to 18.1 million, or by 2.5 million individuals. Because of their considerable smaller size, new social protection programs have a weaker effect in mitigating the impact of the pandemic on inequality and poverty in Colombia compared to Brazil and Argentina. After accounting for the expansion of social assistance, inequality is still projected to increase from 0.55 to 0.56. With the expansion of social assistance programs, the increase in the number of poor could be closer to 2.3 million with both poverty lines.

### *Mexico*

While the rest of Latin America’s largest countries implemented large-scale fiscal stimulus packages and social spending initiatives, the Mexican government’s fiscal and social protection response to the pandemic was extremely limited. Mexico does not have a federal unemployment insurance program; the protection received by formal sector workers (32% of employed workers) comes in the form of severance pay upon dismissal.

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<sup>15</sup> The program is expected to continue beyond the pandemic, and to include 2 million households by 2021. See Gobierno de Colombia, 7.12.2020, at [https://devolucioniva.dnp.gov.co/Documentos/10\\_preguntas\\_clave\\_sobre\\_la\\_devolucion\\_del\\_IVA.pdf](https://devolucioniva.dnp.gov.co/Documentos/10_preguntas_clave_sobre_la_devolucion_del_IVA.pdf)

<sup>16</sup> Mauricio Cárdenas and Humberto Martínez B. (2020). COVID-19 in Colombia: Impact and Policy Responses. Center for Global Development, July.

<sup>17</sup> These results are based on microsimulations that include benefits through June 2020.

More broadly, the Mexican government's strategy was to emphasize the enforcement of the workers' rights embedded in the Labor Code. The government did not allow for lay-offs, suspensions or work reductions in response to the crisis. The government tried to prevent mass layoffs through banning firms to lay off workers without a just cause and making them face legal and financial consequences if they did so. Firms were required to pay the entirety of their salaries during the health emergency. It is unclear how many formal workers were in fact protected by these measures since firms that could not afford to keep all employees on board might have had to shut down. In addition, in March 2020, the Mexican Health Ministry granted permission for employees in groups at-risk – such as those over 65 years and pregnant women – to stay at home but retain their salary. The government also provided loans of 25,000 pesos (US\$1,134) for one million individuals with small and medium size enterprises in the formal and informal sector.

There were practically no measures to mitigate the income shock for informal workers. There were neither increases in the amount of cash transfers or coverage for recipients in existing programs nor new social assistance programs to cover workers in the informal sector affected by the crisis.<sup>18</sup> The only additional benefit came in the form of advancing the pension payments for the elderly and the disabled several times during the 2020 and the government slightly expanded the coverage of a cash transfer program for farmers. In the face of federal inaction, a number of Mexican states have introduced social protection programs of their own. Most Mexican states provided some kind of food assistance to their populations, others created emergency cash transfer programs for informal sector workers and small and medium-sized enterprises, temporary employment programs, and subsidies covering basic utilities and internet service in poor neighborhoods.

According to Lustig et al. (2020), inequality is projected to rise from a pre-pandemic Gini coefficient of 0.46 up to 0.48. The incidence of poverty measured with the international poverty line of US\$5.5 per day (in purchasing power parity) could potentially increase from 35% to 42% and the number of poor from 43.6 million to 52.5 million, or by 8.9 million individuals. Using the national poverty line, the incidence of poverty could potentially increase from around 54% to near 60%, and the number of poor could rise from 67.3 million to 75.2 million, or by 7.9 million persons.

### *Concluding Remarks*

The Covid-19 pandemic has hit living standards in Argentina, Brazil, Colombia and Mexico particularly hard. Brazil and Argentina have implemented a series of initiatives that not only reached workers in the formal sector and beneficiaries of existing social assistance programs but also large portions of workers in the informal sector that were not eligible to receive benefits

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<sup>18</sup> Upon taking office in December 2018, the new government dismantled several existing non-contributory cash transfer programs; in particular, the flagship conditional cash transfer program Prospera was scrapped. The previous programs were replaced by a universal old age pension (Programa para el Bienestar de Adultos Mayores), a disability transfer, and programs aimed at schoolchildren living in poverty, and unemployed youth. These transfers primarily target people above or below working age, not providing an income floor for the working-age population especially those in the informal sector.

under either of the former. In fact, contrary to the pessimistic view that prevailed when the pandemic started, these two countries showed that it *is* possible to deploy a response to protect the uncovered population on a large scale rather quickly. The key to the success was to make the programs demand-driven. Of course, there must be errors of inclusion (beneficiaries who should not have received the benefit for one reason or another) and errors of exclusion (people who should have received the benefit but did not). And the response is costly: around 2% of GDP in Brazil and over 1% in Argentina. Nevertheless, thanks to the large-scale and fast response these two countries have been able to keep the impact of the crisis on inequality and poverty more or less in check. Colombia, in contrast, followed a much more conservative approach in terms of the amounts spent and the beneficiaries of the new social assistance program were selected by the government and coverage was much more limited. As a result, the offsetting effects on inequality and poverty were also more limited. Finally, Mexico pursued the most conservative strategy of all four. There was no expansion of existing social assistance nor introduction of new programs. Thus, informal workers not covered by existing safety nets were not protected from additional income losses. In the formal sector, the government tried to shift the burden to the private sector. However, such a strategy may not work well during a pandemic when demand for goods and services in nonessential sectors plummets as people choose not to consume to stave off infection. In those circumstances, many firms may need to shut down and lay off workers as a result. The weak response in Mexico reflects itself in the inequality and especially poverty outcomes. Of all four countries, Mexico's poverty is expected to rise the most.

Beyond the short-term impact on inequality and monetary poverty, the pandemic has caused damage for the most vulnerable groups in other dimensions of poverty: nutrition, health (physical and mental), education and violence (intra-family and community), to name a few. As Nora Lustig and Mariano Tommasi point out, the effects of the pandemic on these non-monetary dimensions of poverty are not mitigated (or at least not only) with monetary transfers, while they can have impacts that are felt for decades, especially due to the negative impact that the pandemic has on the human capital of the new generations.<sup>19</sup>

Among these effects, it is worth highlighting what could happen in the field of education. According to the analysis of Nora Lustig, Guido Neidhöfer and Mariano Tommasi, the pandemic could result in a reduction in the probability of completing secondary education from 46 to 38% in Argentina; 57 to 23% in Brazil; 26 to 18% in Colombia; and 54 to 24% in Mexico for children from households with low-educated parents.<sup>20</sup> In contrast, for children from households with parents who have completed high school or more, the probability of graduating from secondary education is nearly 90%, and remains almost unchanged by COVID-19. In fact, for the former, the impact could imply a decline of such a magnitude that the probability of completing secondary education becomes similar to that of the cohorts born in the 1960s, thus

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<sup>19</sup> Nora Lustig and Mariano Tommasi. (2020). "Covid-19 and Social Protection of Poor and Vulnerable Groups in Latin America: A Conceptual Framework." In Luis F. Lopez-Calva & Marcela Meléndez (Eds.), *The Economics of the COVID Pandemic in Latin America and the Caribbean: Ideas for Policy Action*. UNDP.

<sup>20</sup> Nora Lustig, Guido Neidhöfer and Mariano Tommasi. (2020). [Short and Long-run Distributional Impacts of COVID-19 in Latin America](#). CEQ Working Paper 96, Commitment to Equity Institute, Tulane University, Octubre.

erasing half a century of progress for the affected generation. Although interventions in the educational field have partially cushioned the negative effects of school closures, they have not been far-reaching enough to close the gap by safeguarding the educational process of the most vulnerable families. The negative impact of the pandemic could influence the affected children and young people for the rest of their lives. Given this scenario, it is urgent to focus the attention on public policies and resource allocation so that this setback could be contained