

CALL FOR PROPOSALS

Effects of COVID-19 on the labor markets of Latin America and Caribbean

The Labor Markets and Social Security Division of the Inter-American Development Bank is launching an open call for submissions of applied economic research related to the effects of COVID-19 on the labor markets of Latin America and Caribbean countries

1 Motivation

The COVID-19 pandemic is having unprecedented effects on health and economic activity, and consequently, on labor markets. The long-run effects of the pandemic are still unknown and will likely depend on how the crisis is managed during the coming months, particularly with respect to the duration of confinements and economic closures.

Social distancing to contain the virus and the closing of borders imply less economic activity and lower prices of basic products. All of this will translate into lower supply, and aggregate demand since the dynamism of trade will be severely affected. In this context, it is highly likely that the terms of trade for Latin America and the Caribbean will deteriorate significantly in the coming months, and that the relative cost of employment will increase. In other words, the region will undergo a major economic change, similar to (or worse than) what was observed during the 2009 global financial crisis, when the regional GDP contracted by around 2%.

This health crisis occurs in a context of economic weakness in Latin America and the Caribbean. After a long period of economic expansion, the region has shown sluggish growth rates. Between 2005 and 2014, around 36 million formal jobs were created in the region, and informality went from 61% to 55% of the number of employed workers. However, since 2015 growth has stagnated. The total number of formal workers has remained at around 121 million people. The labor participation of workers has not increased significantly, and informality has increased slightly; it has remained around 56% of the total employed.

This project has three goals. First, to improve the understanding of how formal and informal labor markets adjust to the COVID-19 related shocks. Second, to better understand the main factors in the economy that drive this adjustment. And finally, to study how different economic sectors adjust their labor force to changes in the general economic conditions. Our interest is to contribute to a better understanding of the dynamics of the formal and informal labor markets. Scholars who are currently working on projects related to COVID-19 and its general equilibrium effects can adapt their current versions of methodologies and models to the shock generated on the labor markets.

Rapid-response high-quality economic research can shed light on how to mitigate the effects of COVID-19 in the labor markets. This research can help policymakers make better decisions during and after this crisis, as well as contribute to knowledge and methodology in applied economics.

2 Objective

The objective of this project is to analyze the short- and long-term effects of COVID-19 on labor markets, particularly employment, of Latin America and the Caribbean. This can be used to define the characteristics of different policy options to mitigate the welfare cost of this shock. Although there is no consensus on the magnitude or duration of the pandemic for the world economy, it is expected to have a significant impact on the number and composition of jobs -both formal and informal. The service sector will probably be the most affected because of containment efforts and social distancing, including commerce, restaurants, and hotel sectors, as well as the transport sector.

We are interested in several aspects related to the analysis of the effects of COVID-19 on labor markets in LAC. The following are key aspects that may be worth pursuing:

- Methodological contributions to formalize the decision-making process of workers among different types of employment of the region (self-employed, informal and formal) dynamics in the context of COVID-19
- Studies examining the labor supply decision process to participate in the labor markets in the presence of lockdowns.
- Counterfactual analysis of economic consequences, particularly in the labor markets, in the absence of complementary policies and with the implementation of policies that aim to protect workers and or firms.
- Studies analyzing the effects of major economic shock on the composition of firms in the economy by economic sector.

Each of these or similar questions can be answered using data from one or multiple countries. In each case, it would be desirable to have a combination of data sources, including household surveys, social security records, matched employer-employee data, and even tax data.

3 Contents of the Proposal

Researchers must submit a proposal (English or Spanish) of a maximum of 4 pages, including the following:

- **Question to be studied.** Describe the research objective and the main question(s) that the researcher (s) want to answer.
- **Brief literature review.** Describe the literature related to the question(s) to be analyzed, including how the proposed research contributes to this literature.
- **Selection of country(ies).** Specify the country/countries that will be analyzed to answer the research question.
- **Data.** A detailed description of the data used to respond the research question, including sources and availability of the data for replication. Only proposals that can demonstrate access to the data to be used will be selected.
- **Methodology.** Description of the methodology to be used. This will include a discussion of the strengths and caveats of the selected methodology to address the selected question(s).

In addition, proposals must include an annex with a proposed budget providing details of the work plan, including the timeline and resources to be used. This budget should separate the categories of expenditures, including data collection, honoraria and overhead.

4 Submission of proposals

Proposals should be submitted by email to the Labor Markets and Social Security Division of the IDB (SCL-LMK@IADB.ORG). Proposals are due **July 15th, 2020**.

5 Selection Criteria

The final selection of proposals will be based on three criteria:

- a. Professional experience of the researcher(s).** Previous experience in the analysis of labor markets and their modeling will be considered an advantage.
- b. Relevance.** The proposal must clarify how the research will address the challenges derived from the economic stress generated by COVID-19.
- c. Data and methodology.** The proposals must explain how the research question will be addressed and how the available data will permit the appropriate estimations for it.

6 Coordination and Schedule

This project will be administered by the Labor Markets and Social Security Division of the IDB. The technical coordination will include David Kaplan (IDB), Oliver Azuara (IDB) and Mariano Bosch (IDB).

The schedule of activities is as follows:

- **July 15th, 2020:** Due date for proposals submissions, including research proposal, budget, and curricula vitae.
- **July 31st, 2020:** Announcement of selected proposals.
- **August 14th, 2020:** Submission of the workplan.
- **October 15th, 2020:** Discussion webinar to present preliminary versions of the work and receive feed-back from the committee and attendants. Each researcher will present the research question, methodology, data description, descriptive statistics and preliminary results (if available).
- **December 4th, 2020:** Due date for submitting a revised version of the work.
- **February 15th, 2021:** Webinar to present the final version of the papers.

7 Financial Aspects

The IDB will contribute up to US\$15,000 or its equivalent in local currency to the total budget of each study, depending on the scope of work proposed and the number of studies selected. The IDB will finance up to two studies. The payment schedule is as follows:

- 20 percent after signing the formal agreement between the IDB and the respective research center.
- 20 percent within 10 days of approval by the IDB of the revised work plan.
- 40 percent within 10 days of presenting and approval by the IDB of the first draft of the research paper.
- 20 percent within 30 days of presenting and approval by the IDB of the revised draft of the research paper.