FEATURED Q&A

What Initiatives Will Help Lower Youth Unemployment?

Argentina’s government on Aug. 9 launched the second phase of its “Argentina Programs” plan, which aims to provide training in computer programming to 60,000 youths by the end of this year. The program follows another initiative that the government launched in July to add 50,000 people between the ages of 18 and 24 to the workforce. In Argentina and elsewhere in Latin America, how much has youth employment suffered during the pandemic? What are the most important components of government and private-sector programs to lower unemployment levels among young people? How much growth will technology-industry jobs see in the coming years in Latin America, and what should governments be doing to provide young people with the skills to fill them?

Alicia Bárcena, executive secretary of the United Nations Economic Commission for Latin America and the Caribbean:

“The pandemic has had an unprecedented economic impact on Latin American and Caribbean labor markets. Although efforts to contain the health crisis have had economic repercussions worldwide, the region has been hit harder than other parts of the world. The 6.8 percent decline in GDP translated to a sharp drop in employment and labor force participation and to a 2.1 percentage point increase in the regional unemployment rate, reaching 10.5 percent in 2020. Job losses affect women and young people to a greater extent, essentially as a result of: 1.) a large-scale withdrawal of women from the labor market, caused both by mobility restrictions and by fewer employment alternatives,

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POLITICAL NEWS

Twelve Members of Indigenous Groups Killed in Nicaragua

Twelve members of the Miskito and Mayangna Indigenous groups in Nicaragua’s Bosawas nature reserve on the Caribbean coast were killed by settlers, the Associated Press reported Wednesday, citing activists and environmentalists. Despite the reserve’s status as a protected area, illegal mining and logging have become common activities and have brought several attacks on Indigenous people living there, according to activists. “It was a massacre,” environmentalist Amaru Ruiz, director of the Del Río Foundation, said of the latest incident, which he blamed on settlers who invaded the Indigenous lands, the AP reported. “Residents have so far confirmed the deaths of nine Miskito people and three Mayangnas,” Ruiz added. The Center for Legal Assistance to Indigenous Peoples, or CALPI, a nongovernmental organization in the country, said in a statement that Indigenous members were attacked “with machetes and guns, and were tortured.” Attackers also “hung their bodies from a tree,” CALPI

ECONOMIC NEWS

Bolivia’s Congress Approves Pension Withdrawal Measure

Bolivia’s Congress on Wednesday passed government-sponsored legislation to allow citizens to withdrew as much as 15 percent of their privately held pension funds as a means to alleviate economic woes caused by the Covid-19 pandemic, Reuters reported. Senators voted to approve the law, which was one of President Luis Arce’s key campaign promises

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compounded by household care needs; and 2.) the significant decrease in informal jobs, in which 68.5 percent of young workers in the region are employed. Consequently, the youth participation rate in the labor market dropped by five percentage points, and the youth employment rate fell to 32.7 percent. The crisis has also severely hindered the school-to-work transition of youth. Those in training and in work-based learning have faced disruptions in their education process. New entrants to the labor market have confronted a scenario with limited job creation and a lack of opportunity, whereas those already in the labor market were hit by job and income losses. By the end of 2020, the unemployment rate of youths reached 23 percent (around seven million young people). The region also faces a substantial problem of underutilization of youth labor, when also considering young people who are not seeking jobs because of a perceived lack of suitable employment and those who want to work more hours but are unable to find full-time jobs. Policy responses must prevent the worsening of existing inequalities and must place an emphasis on women and young people, those informally employed and other strongly affected groups, such as young women and young migrant workers. Labor programs for young people should link supply policies (such as training and skills development and elimination of economic, social and cultural barriers) with demand policies, involving the private sector and with strong inter-institutional coordination.”

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NEWS BRIEFS

Thousands of Indigenous People Demonstrate at Brazil’s Supreme Court

Thousands of Indigenous people marched Wednesday to Brazil’s Supreme Court to demand a favorable ruling in a landmark land-rights case, the Associated Press reported. The high court is expected to rule on a lower court’s decision that invalidated a claim to land in Santa Catarina state that some Indigenous people there argue is their ancestral territory.

Mexican Prosecutors Accuse Ex-Presidential Candidate of Taking Bribe

Federal prosecutors in Mexico alleged Wednesday that former presidential candidate Ricardo Anaya, who fled the country last weekend, took a bribe of as much as $525,000 when he was a lawmaker, the Associated Press reported. Prosecutors alleged Anaya received bribes to vote in favor of the 2014 energy reform bill that opened the sector to private investment. Anaya, who ran against current President Andrés Manuel López Obrador in the 2018 presidential election, has said the charges against him are politically motivated.

Peruvian Gov’t Requests Mining Companies’ Help to Build Railroad

Peru has requested help from mining companies including Las Bambas, of China’s MMG, and Grupo México’s Southern Copper in constructing a railway system from a mineral-rich area in the Andes to the country’s central Pacific Coast, Mining Minister Iván Merino told Reuters in an interview late Tuesday. Representatives from the two firms said they were open to discussing participation in the construction of the railroad, which would transport both commodities and people. The project is in the technical evaluation stage, and construction is scheduled to start in 2023.
last year. The lower chamber had previously approved the legislation. The measure sets a cap on withdrawals of 15,000 bolivianos ($2,200) per person. The Bolivian Economy Ministry estimates that about 3.9 billion bolivianos can be withdrawn with no effect on pension payouts. Luis Adolfo Flores, who heads the ruling Movement for Socialism party’s faction in the Senate, said the plan is expected to take effect in early September, Los Tiempos reported. “We estimate that [1.4 million] people will benefit,” he said, according to a press release from the Senate. Bolivian Economy Minister said the plan is “an exceptional measure and a one-off,” Reuters reported. The bill is similar to legislation approved in Peru and Chile this year and last year to help citizens weather the economic impact of Covid-19, though governments there were staunchly opposed to the measure, arguing that the withdrawals hurt savings and the economy, the wire service reported.

BUSINESS NEWS

Nubank to Seek Valuation Exceeding Itaú’s: Report

In its initial public offering, Brazilian financial technology company Nubank will reportedly seek a valuation that exceeds the $55.4 billion valuation of the country’s top private-sector lender, Itaú Unibanco, Reuters reported Wednesday, citing two sources familiar with the matter. Nubank was valued at $30 billion in a recent funding round led by Berkshire Hathaway. The fintech has some 40 million clients in Latin America. A valuation that exceeds that of Itaú would make Nubank among the world’s largest financial technology companies, including ahead of U.S.-based Robinhood Markets, Reuters reported. Nubank’s bankers recently pitched a valuation of as much as $100 billion, one of the sources told the wire service. But the source added that Nubank was unlikely to be valued at that amount. The company declined to comment to the wire service for the report. The fintech ended last year with a loss of 230 million reais ($44 million) and a loan book of approximately 18 billion reais. In the first quarter of this year, it posted a profit of 6.8 million reais, Reuters reported, citing Brazil’s central bank. By comparison, Itaú posted a profit of 18.5 billion reais last year, and it had a loan book of approximately 87 billion reais and a return on equity of 14.5 percent. Other Brazilian fintechs, such as Ebanx, have also outlined plans for growth in recent months. “The recent announcement of IPOs and investment rounds in Brazilian fintechs reflects the industry’s growth potential,” Helen Harris, senior research associate at McLarty Associates, told the Dialogue’s biweekly Financial Services Advisor in a Q&A published June 30. The country’s fintech market received $1.9 billion in investments last year, a 72 percent increase as compared to 2019, said Harris. “Brazil’s vast population, widespread use of mobile devices and limited access to traditional banking services make for an appealing market,” she said. “These factors, combined with the push toward digitalization caused by the pandemic, favor fintechs.”

Online Event: ESG Investment Trends in Latin America and the Caribbean

Moderator:
Devry Boughner Vorwerk
CEO, DevryBV
Sustainable Strategies

Speakers:
Andrea Bonime-Blanc
CEO, GEC Risk Advisory LLC

María José Cortés Loreto
Head of ESG, Atlas Renewable Energy

Ben Ho
Vice President, Sustainable Investments, BlackRock

Thursday, August 26
11:00 a.m.-12:00 p.m. EDT
Inter-American Dialogue
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Richard Delgado, director of Oracle Academy Latin America, and Diogo Brunacci, director of public affairs at Oracle Latin America: “The Covid-19 pandemic has demonstrated a clear need for governments to provide assistance and support, even as they faced massive new challenges: a remote work force, a vast increase in online engagement, an education system forced to adapt to remote learning and overwhelmed public health and first-responder resources. It has become even more clear that the delivery of citizen services must be more efficient and more flexible—and digital transformation is even more imperative, in a context where stresses on public infrastructure and resources drive demand for greater efficiency and resiliency. By 2024, several studies forecast that Latin America will need more than 500,000 professionals across all industries, including more than 400,000 in information and communications technology. This shows the need to train qualified workers in the short term. For example, Brazilian schools graduate around 46,000 people from technical programs every year. Latin American countries will have to face this skills shortage not only as a priority, but as a strategy for growth. In this context, countries will need to fight back and create their own strategies to address this skills gap, as Argentina is doing with the Argentina Programs plan. This is a great opportunity for Latin American countries, especially at a time when the unemployment rate has gone from 10 percent to 20 percent. Schools should educate students on the development of web pages in Java and on Android mobile environments and iOS, among others, so that their skills match up with the demand in the job market. In this sense, governments should consider prioritizing the requalification of courses to adjust to the demands of the labor market. It is important to focus the orientation on practice, with training sessions and simulations on real-world demand in order to always set up measures to ensure diversity and include all of the population in this movement.”

Mariana Costa, co-founder and CEO of Laboratoria: “The pandemic has hit young adults hard in Latin America, with millions of students dropping out of higher education due to economic hardship to face a job market with limited skills and experience under their belts. This has reinforced the condition of unemployment or precarious employment for the vast majority of Latin America’s youth, which means less human capital accumulation for those who represent our future. Given this situation, many governments are shifting to support shorter, practical reskilling programs for the digital age, where demand for talent continues to surge, driven by the region’s digital transformation. Undoubtedly, this is a shift in the right direction as boot camp programs and the like tend to offer skill paths that are well-connected to market demand, remote and much less costly than traditional higher education. There are, however, important considerations if governments want the resources invested to yield solid results. First, governments should partner with education players that can guarantee certain quality standards and job placement outcomes. It won’t be of much help to train thousands of developers if they end up jobless because their education was not pertinent. Second, the private sector should be an active partner in this effort, committing to flexibilize hiring policies (for example, by dropping the higher education requirement for certain roles) and to open doors for junior talent. Finally, governments should encourage the growth of the digital economy and its strength as an employer through flexible work regulations and attractive policies for global companies that want to set foot in the region.”

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Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Anastasia Chacón González
Reporter & Associate Editor
achacon@thedialogue.org

Leticia Chacón
Reporter
lchacon@thedialogue.org

Michael Shifter, President
Rebecca Bill Chavez, Nonresident Senior Fellow
Bruno Binetti, Nonresident Fellow
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Subscription inquiries are welcomed at ebrand@thedialogue.org

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