

# Financing care systems and policies in Latin America and the Caribbean

## CONTRIBUTIONS FOR A SUSTAINABLE RECOVERY WITH GENDER EQUALITY

Lucía Scuro  
Cecilia Alemany  
Raquel Coello Cremades  
(coordinators)



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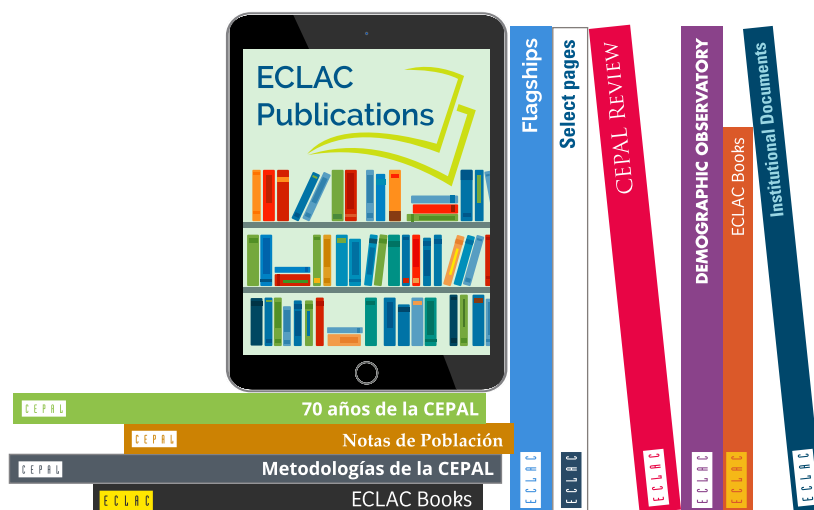
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01

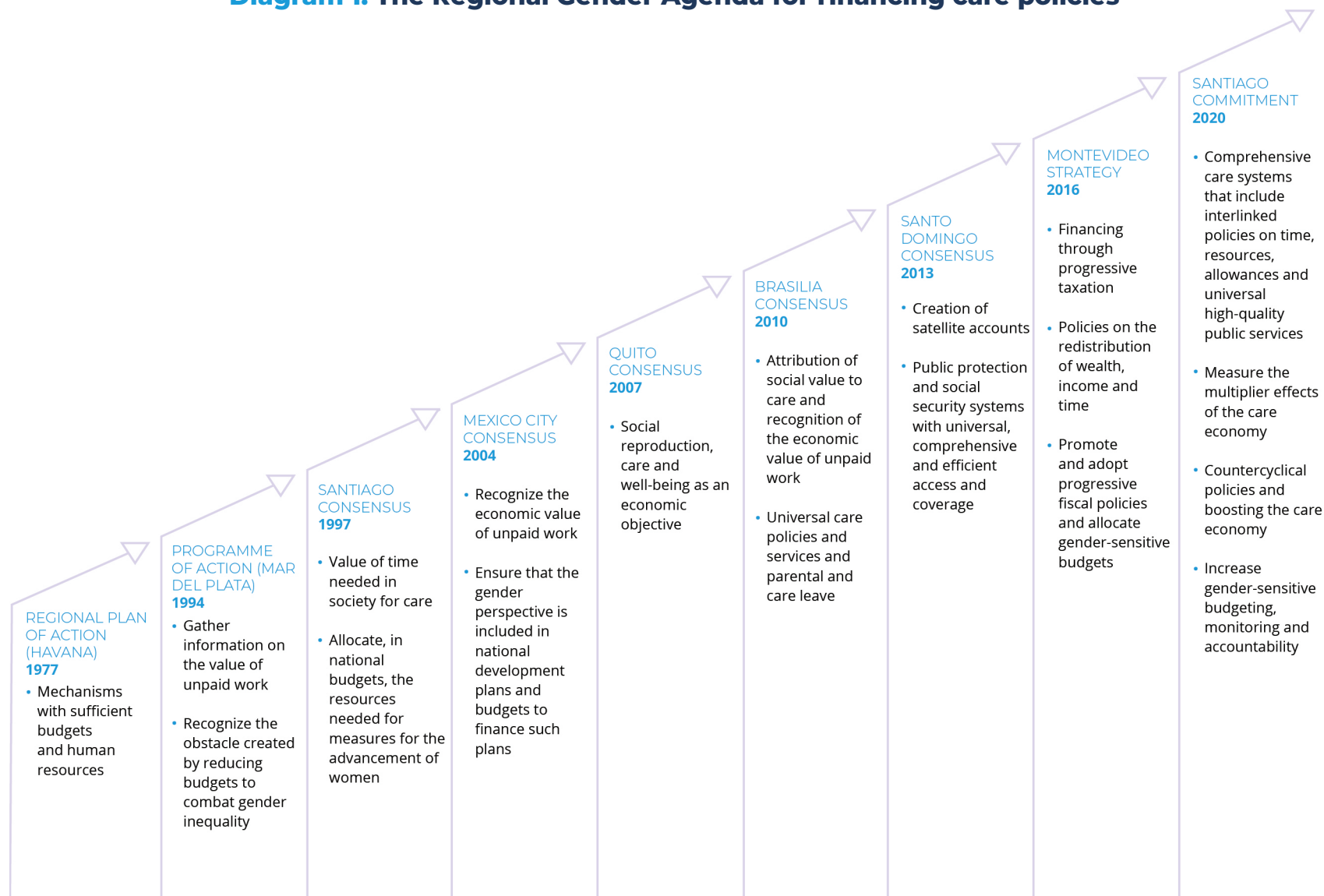
THE CENTRALITY  
OF CARE IN LATIN AMERICA  
AND THE CARIBBEAN

The concept of the centrality of care has been incorporated gradually, if unevenly, into public agendas in Latin America and the Caribbean, driven by growing political commitments and the contributions of women's movements and feminist economic analyses. These contributions have drawn attention to the need to reorganize and redistribute care work as the key to shaping more egalitarian and inclusive societies.

Over the course of more than four decades, the member States of ECLAC, meeting at sessions of the Regional Conference on Women in Latin America and the Caribbean, have adopted the Regional Gender Agenda, which aims to safeguard the rights of women, advance their autonomy, and lay the foundations for societies with equality. In this regard, governments have adopted a number of agreements that are essential for designing and implementing care policies. The agreements reaffirm the principles of universality and progressivity in access to quality care services, the importance of co-responsibility between men and women, and among the State, the market, communities, and families, as well as the importance of promoting the financial sustainability of public care policies aimed at achieving gender equality.

Among the most recent agreements reached, in 2016, under its pillar on financing and resource mobilization for gender equality, the Montevideo Strategy establishes that the private sector's contribution to financing public services and social protection should be ensured through progressive taxation, and that the State should avoid tax privileges (ECLAC, 2017). The Santiago Commitment explicitly mentions the need to "implement gender-sensitive countercyclical policies, in order to mitigate the impact of economic crises and recessions on women's lives and promote regulatory frameworks and policies to galvanize the economy in key sectors, including the care economy" (ECLAC, 2020a, pp. 9-10).

Global recognition of the importance of addressing the care crisis is reflected in the 2030 Agenda for Sustainable Development. Target 5.4 establishes the need to "recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate" (United Nations, n/d).

**Diagram 1. The Regional Gender Agenda for financing care policies**

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of ECLAC, "Regional Gender Agenda", n/d [online] <https://www.cepal.org/en/subsidiary-bodies/regional-conference-women-latin-america-and-caribbean/regional-gender-agenda> [accessed on 18 August 2022].

Although public care policies have been implemented relatively recently in the region, actions to promote the recognition, reduction and redistribution of care have gained considerable momentum in recent years (UN-Women/ECLAC, 2020). The crisis triggered by the COVID-19 pandemic highlighted the importance of care while clearly signalling the unsustainability of the way it is organized. In all countries, the impact of the closure of educational facilities and care services prompted a surge in the burden of care assumed by households, and particularly by women (ECLAC, 2020b). A comparative analysis of rapid assessment surveys conducted in Chile, Colombia and Mexico on the effects of the pandemic on the lives of men and women illustrated the degree to which women increased their burden of unpaid care work for children, revealing a gap of 3.5 percentage points between women and men (UN-Women, 2021).

This intensification of unpaid work, combined with the deepening of structural challenges of inequality, has generated an unprecedented regression in women's participation in the labour market, especially for women carrying greater care burdens. Women aged 20 to 59 years in households with children under 5 years of age not only have the lowest pre-pandemic workforce participation rates, but also experienced the steepest declines as a result of the crisis, with a drop of 11.8% (ECLAC, 2021a).

Faced with this situation, some countries instituted measures to address the care problems that were aggravated by the crisis. Measures were designed both at the national and subnational levels of government to provide an immediate response, as well as part of their medium- and long-term policies and programmes (UN-Women/ECLAC, 2021a).

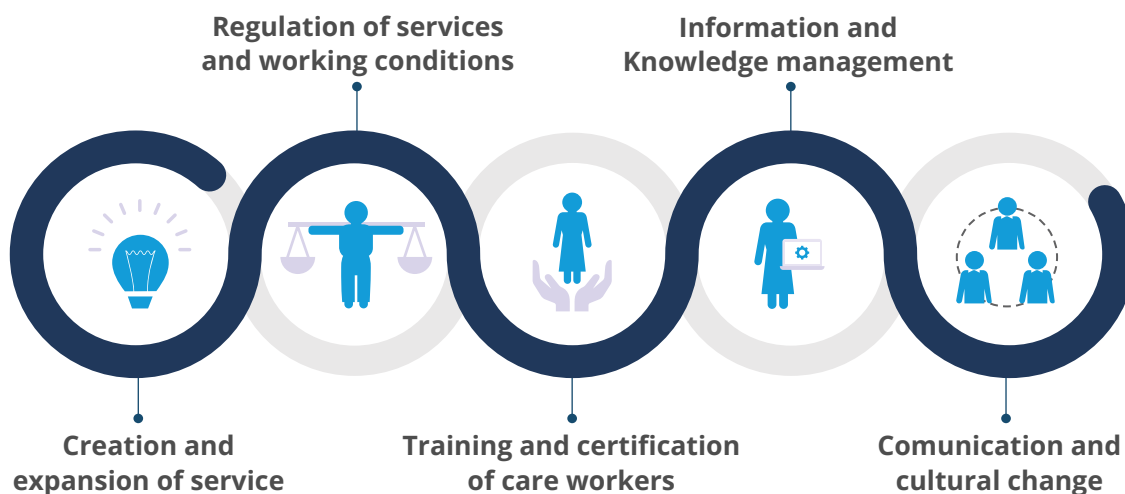
The greatest progress has been observed in the area of childcare. More limited and nascent progress has been noted in other areas, such as care for dependent older persons and people with disabilities (UN-Women/ECLAC, 2020).

However, a major innovation has been emerging in the region, particularly over the past decade, in the form of “comprehensive care systems.”<sup>2</sup> A comprehensive care system can be defined as a set of policies aimed at implementing a new social organization of care with the purpose of caring for, assisting and supporting people who require it, as well as recognizing, reducing and redistributing care work—which, currently, is mostly performed by women. Implementation of these policies must be guided by inter-institutional coordination using a people-centred, rights-based approach and from a gender-equal, intersectional and intercultural perspective. The State must serve as the guarantor of access to care, based on

a model of social co-responsibility —with civil society, the private sector, and families— and gender, and promote men’s participation in care (UN-Women/ECLAC, 2021b).

Creating systems that address the needs of the population and operate based on the principles of the recognition, reduction and the redistribution of care requires the coordination of policies aimed at all target populations (children, older persons, dependent persons with disabilities and caregivers). To achieve this, it is necessary to take action around five components: the services (public and/or private) that are provided, the regulations that are established (service and labour), the training of caregivers, the management of information and public knowledge about care, and communication activities to promote culture change. Moreover, for these actions to form part of a system, it is necessary to develop a governance model that incorporates inter-institutional coordination —at the national and subnational levels— among all the institutions involved in providing care for different target populations. This is key to making efficient use of capacities at the state and social levels to develop a management model that supports the shift “from the logic of services to the logic of people” (UN-Women/ECLAC, 2021b).

**Diagram 2. Components of comprehensive care systems**



**Source:** United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) and Economic Commission for Latin America and the Caribbean (ECLAC), *Towards the Construction of Comprehensive Care Systems in Latin America and the Caribbean: Elements for Implementation*, 2021, p. 29.

The right to care is among the human rights already recognized in international covenants and treaties, to be enjoyed by all human beings, regardless of their situation of vulnerability, fragility or dependence. This right involves guaranteeing access to

care, recognizing the value of care work and guaranteeing the rights of those who provide care, as well as dismantling the notion of women's exclusive responsibility for providing care. Based on the principles of equality, universality and social and gender co-responsibility, these make the sustainability of human life and care of the planet possible (ECLAC, 2022a).

In 2013, the 29th Session of the Latin American Parliament's General Assembly adopted the Framework Law on the Economy of Care, which provides that States must promote policies, plans and programmes for people in need of care and for those who provide it, taking their differences into account and encouraging the implementation of comprehensive care systems.

Some countries in Latin America and the Caribbean have explicitly incorporated the right to care into their constitutions, thereby providing it with stronger guarantees and expanding its interpretation through jurisprudence. The Constitution of Mexico City contains an express declaration of care as a fundamental right, and others, such as Bolivia, Ecuador, the Dominican Republic and Venezuela, include recognition of domestic or care activities as work in their constitutions. In 2015, Uruguay became the first country in the region to adopt the law establishing the National Integrated System of Care (SNIC). In March 2022, with support from the EUROsociAL+ programme, the Inter-American Commission of Women (IACW) of the Organization of American States (OAS) developed a proposal for a Model Law on Care.<sup>3</sup>

However, along with the progress made on the regulatory, institutional and political fronts, it is necessary to address the issue of financing comprehensive care policies and systems to ensure their sustainability. This is no small feat in the current regional context where higher inflation, low projected economic growth and a sharp increase in debt impose significant constraints on public finances and restrictions on fiscal policy (ECLAC, 2022b). The rise in inflation is placing new demands on governments in the region, in terms of measures to subsidize basic food basket and fuel products to curb price escalation. Inflation is also causing developed countries to tighten monetary policy, limiting capital flows to developing countries. In addition, the depreciation of local currencies is generating higher financing and sovereign debt servicing costs. However, a lower growth rate implies lower tax revenue, which, when combined with fiscal consolidation measures aimed at placing debt on a sustainable path, restricts fiscal space.

In the current environment of fiscal restraint, with higher inflation, slow economic growth and a marked increase in debt, countries must rethink their spending priorities and public investment, directing resources towards high-impact, job-creating sectors, such as the care sector, which would not exclude women from the workforce.

This challenge must be addressed from the earliest stages of public policy planning, from definition and design to implementation, depending on each country's starting point, with the goal of achieving universality through gradual progression and prioritization of each of the stages of the resulting action plans (UN-Women, 2022). At the same time, it is important to always recognize and consider the needs and quality of services provided for each population group (early childhood, children, people with disabilities, among others) from the standpoint of gender equality and governed by the principles of universality, progressivity, solidarity and co-responsibility.

**Diagram 3. Guiding principles for financing care systems and policies**



Source: Economic Commission for Latin America and the Caribbean (ECLAC).

### **a. Principle of universality**

A universal policy is usually understood as one that guarantees access to all persons who have a given right to a service. With respect to care, the policy must be developed from a perspective of equality, seeking to close the gaps impeding efforts to guarantee the right and eliminating stereotypes engendered by the sexual division of labour. Furthermore, from a gender perspective, it is essential to design care policies that make participation in the labour market compatible with families' care responsibilities. This can shape not only the design of care services, but also the establishment of labour market standards that enable people to participate in the market while also being able to provide care and engage in self-care.

In addition to access, the concept of universality addresses the quality dimension (UN-Women/ECLAC, 2021b); a universal policy implies that all people have access to care services and that these are provided based on regulated quality standards, avoiding segmentation and quality-related limitations associated with household income levels. In this sense, the State plays a key role in ensuring that access to and the quality of services are not conditional on people's purchasing power.

### **b. Principle of progressivity**

Although universality is the guiding principle and objective, the reality is that most countries in Latin America and the Caribbean are starting with very low coverage; therefore, this principle should be complemented by the principle of progressivity, using criteria that allow for the gradual incorporation of people into the services, benefits and entitlements of comprehensive care policies and systems according to their level of vulnerability and need. These criteria can be set based on priority populations (for example, early childhood) or on the degree of dependency (such as people with disabilities that impede daily activities). Other criteria to be considered in ensuring progressivity may be territorial (rural populations generally have less access to services) or socioeconomic (such as lower-income households, or single-parent families). Progressivity in access must be accompanied by progressivity in financing, for which it is essential to identify initial investment levels and establish a timeline of gradual increases to counteract any regression in terms of women's rights.

### **c. Principle of solidarity**

The commitment to universality requires the incorporation of solidarity into financing mechanisms as a principle that can help ensure the sustainability of comprehensive care policies and systems. This would entail designing instruments that take families' ability to pay into account in order to facilitate universal access to care services and benefits.

Another noteworthy element of the principle of solidarity pertains to the resources provided by central governments to subnational governments. Inequality exists within the territories of each country, and many subnational governments do not have the fiscal capacity to offer the same services or benefits as national governments or other territories located closer to wealthier areas of the country. Addressing this discrepancy would require a system for transferring resources between the levels of government to ensure comparable coverage and quality in different parts of a country. As established in the 2030 Agenda for Sustainable Development, this principle requires solidarity between countries within the framework of development cooperation (SDG 10, targets 10.2 and 10.b).

### **d. Principle of co-responsibility**

The concept of co-responsibility is two dimensional: social co-responsibility or co-responsibility between stakeholders and institutions, and gender co-responsibility. On one hand, co-responsibility refers to the fact that comprehensive care policies and systems must be implemented through inter-institutional coordination, with a people-centred approach. The key institutions here are the State, as the main responsible party, which in turn requires the participation of other actors such as the market or the private sector, which also benefits directly given that care work makes it possible to have people available to participate in the current and future workforce. The role of families and communities is also important since they form the nucleus of social reproduction and human coexistence. Care work is vital for society as a whole to function; therefore, the principle of social co-responsibility for care work must involve co-responsibility for its financing.

On the other hand, gender co-responsibility for care work refers to the need to transform the sexual division of labour that assigns women the role of primary caregiver, which gives rise to inequalities in the use of time and in access to opportunities compared to men. The structural nature of this inequality has consequences not only in terms of women's individual opportunities to achieve economic autonomy and

realize their full potential, but it also has implications for the functioning of society, since the skills and strengths that women could contribute to the development of the economy, politics or culture, among other areas, are squandered (UN-Women/ECLAC, 2021b). Therefore, one of the objectives of comprehensive care policies and systems should be to encourage men and women to share responsibility for care work, actively seeking to include those who have historically been excluded from caregiving or care. In terms of financing, gender co-responsibility entails contemplating models that do not reinforce gender roles and stereotypes that position women as the only ones responsible for care. It also requires financing models funded by sources that neither generate negative gender impacts and biases nor reproduce or deepen existing inequalities.

The principles of universality, progressivity, solidarity and co-responsibility are essential to make progress in designing care systems and policies and their financing mechanisms.

# 02

WHY INVEST  
IN COMPREHENSIVE CARE  
POLICIES AND SYSTEMS?

Care work encompasses all activities that support people's daily activities and physical and emotional well-being. It includes daily tasks such as the upkeep of domestic goods and spaces, practicing good hygiene, providing school support, maintaining social relationships and providing psychological support to family members (UN-Women/ECLAC, 2020). This definition also assumes that all people require care during the various stages of their lives. Care is essential not only for personal development, but also as a key component in social reproduction since, depending on their age, state of health or physical condition, people may be better equipped to provide care or may require more or less care from third parties.

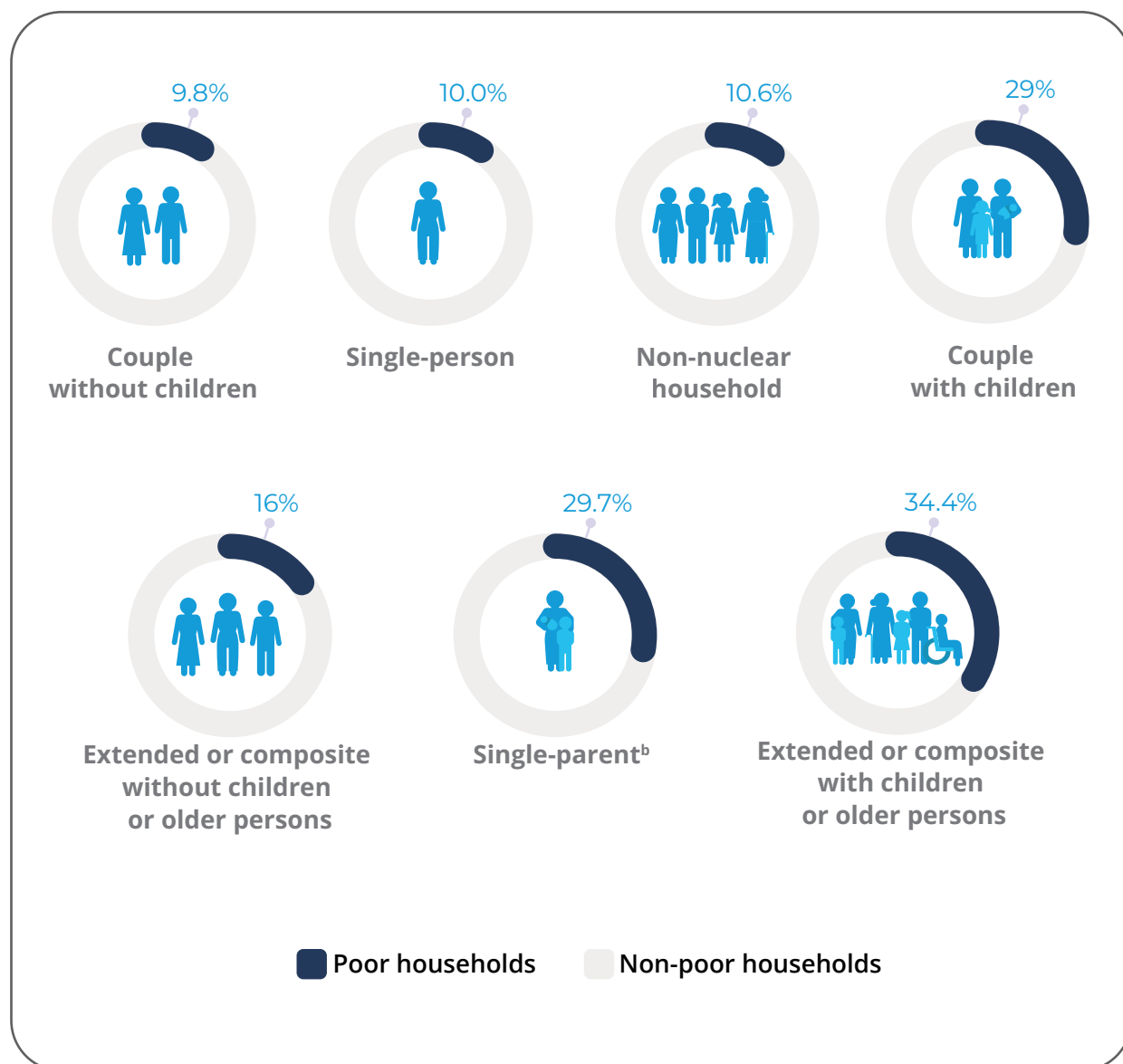
In countries in Latin America and the Caribbean, life expectancy has increased as a result of improvements in science and health systems; consequently, the population requiring care is also increasing. Among other factors, this is caused by a reduction in mortality and an increase in life expectancy, the epidemiological and demographic shifts that result in a rise in the population requiring care and an increase in the number of people with non-communicable diseases and dependent older people. At the same time, the gradual integration of women into the labour market, combined with the failure to integrate men into caregiving or care tasks, intensifies the burden and exacerbates the care crisis. Overcoming this care crisis is not possible without policies geared towards recognizing, reducing and redistributing care work.

The current sexual division of labour and organization of care beget a vicious circle of care, poverty and inequality and restrict women's autonomy. In 13 countries in the region for which information is available, of all households (by type of household), the highest proportion of poor households are those categorized as extended or composite, where the care demands of different generations (children and older persons) converge. Following these are single-parent households, which are unique in that only one adult is simultaneously the economic provider and the caregiver. In almost 90% of cases, these households are female headed.

The lack of publicly provided care solutions undermines opportunities to lead full lives, both for people who require care and those who provide it (ECLAC, 2021a). This disproportionately affects women in lower-income households, who dedicate an average of 45 hours per week to unpaid work (quintile 1). In turn, as more care work is demanded by household members, overcoming poverty grows more challenging because time poverty limits opportunities to enter the labour market, a particularly serious situation for women who head single-parent households (UN-Women/ECLAC, 2021b).

**Figure 1. Latin America (13 countries):  
a proportion of people in poor households,  
by type of household, 2020**

(Percentages)



**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Household Survey Data Bank (BADEHOG).




<sup>a</sup> The countries included are Argentina, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Honduras, Mexico, Peru, the Plurinational State of Bolivia and Uruguay.

<sup>b</sup> Among single-parent households, 87% are female-headed.

Paid care work is one of the few employment options for women in rural areas, migrant women or women belonging to particularly marginalized groups. The precarious nature of this work, lack of labour rights and low wages add another element that feeds into the cycle of poverty. As long as this work continues to be socially and economically undervalued and lack labour regulations and professionalization, it will not be possible to break free of the cycle of present and future poverty, since these women's income in old age is compromised by the lack of social security.

In this regard, an analysis of 12 countries in the region, conducted in 2020, found that the sectors of the care economy are highly feminized and demonstrate significant gender wage gaps, with a lower proportion of women working in highly skilled jobs (ECLAC, 2022a). In the paid domestic work sector, wages are significantly lower than in the rest of the economy, and only one in four women has access to social security (see table 1).

**Table 1. Latin America (12 countries): characteristics of the workforce in sectors of the care economy, weighted average, around 2020**  
(Percentages)

Sector of the care economy	Proportion of women in the sector	Distribution of the employed population by sector		Wage ratio of women to men	Proportion of women enrolled in the social security system	Proportion of people in highly skilled jobs <sup>b</sup>	
		Women	Men			Women	Men
 Education	69.2	9.5	3.0	75.6	85.3	3.9	5.7
 Health	72.7	7.7	2.1	61.0	80.0	2.0	3.6
 Domestic work	90.9	9.9	0.7	72.8	25.5	0.0	0.3

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Household Survey Data Bank (BADEHOG).

<sup>a</sup> Weighted average for the region. Countries considered are Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Honduras, Mexico, Plurinational State of Bolivia, Peru and Uruguay.

<sup>b</sup> The indicator on people in highly skilled jobs also includes the Bolivarian Republic of Venezuela, (2019), Guatemala (2014), Honduras (2019), Nicaragua (2019) and Panama (2014).

To overcome this challenge, it is crucial that countries seeking to combat poverty and inequality prioritize investment in comprehensive care policies and systems as an additional driver of development and sustainable recovery, in coordination with labour, health and education policies.

### **The care sector as a job creator and a driver of the economy**

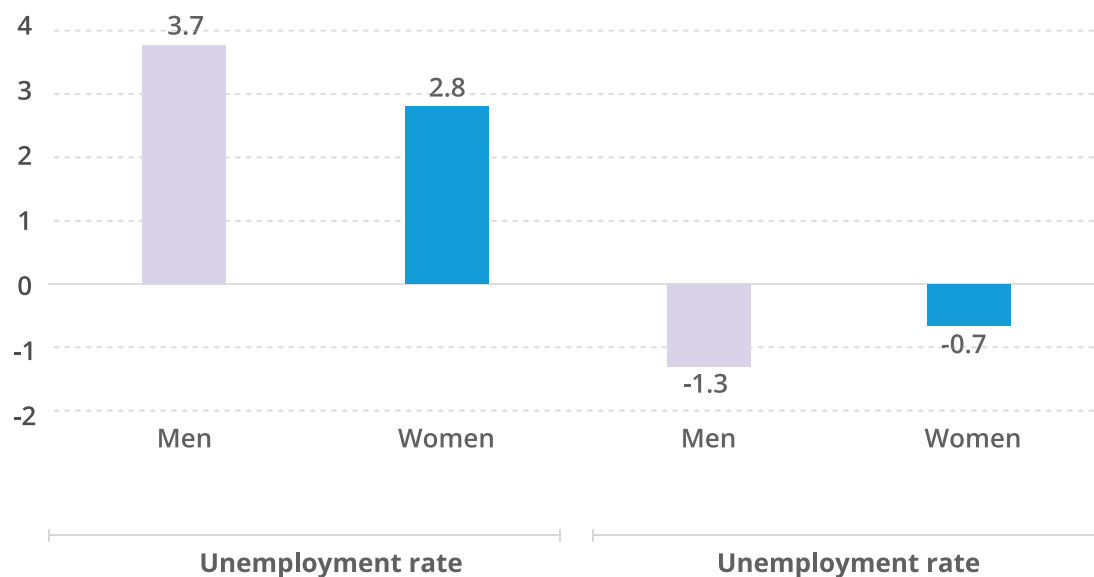
The COVID-19 crisis led to a sharp withdrawal of women from the workforce, evidenced by an 18-year setback in women's labour participation in 2020. Studies show that given the transformative and galvanizing potential of the sectors it comprises (care services, health, education, paid domestic work), the care economy has the capacity to propel the recovery and creation of a new, more equitable and sustainable development pattern (ECLAC, 2022c). These sectors aim to ensure healthy lives and promote well-being throughout the life cycle, as established in the 2030 Agenda for Sustainable Development (Goals 3, 4, 5, 8 and 10, among others). The care economy ensures that needs are met, a fundamental condition to facilitate economic activity.

In turn, care policies and systems influence the labour market by creating formal jobs and promoting their formalization. According to a recent ILO study, it is estimated that worldwide, investing in universal childcare and long-term care services could create up to 280 million jobs by 2030 and another 19 million by 2035: 96 million direct jobs would be created in childcare, 136 million in long-term care jobs and 67 million in indirect jobs. It is estimated that 78% of these new jobs would be filled by women, and 84% would be formal jobs. Thus, a portion of the investment would be recovered through taxes and contributions to social security systems (Addati, Cattaneo and Pozzan, 2022).<sup>4</sup>

The care sector's job creation potential is such that an estimate of eight Organisation for Economic Co-operation and Development (OECD) countries showed that the employment generated by investing in care is considerably larger —by up to three times— than by investing in construction (De Henau and Himmelweit, 2021).<sup>5</sup>

Although employment statistics show signs of improvement for 2021, the recovery in economic activity between men and women has been uneven, with gender gaps that had widened during the pandemic becoming entrenched. For example, the employment rate for men increased by 3.7 percentage points between 2020 and 2021, and the rate for women grew by 2.8 percentage points over the same period. There was also a smaller reduction in the unemployment rate for women than for men (0.7 percentage points versus 1.3 percentage points) (see figure 2).

**Figure 2. Latin America (14 countries):  
a year-on-year change in employment rate and  
unemployment rate, by sex, weighted average, 2020–2021**  
(Percentages)



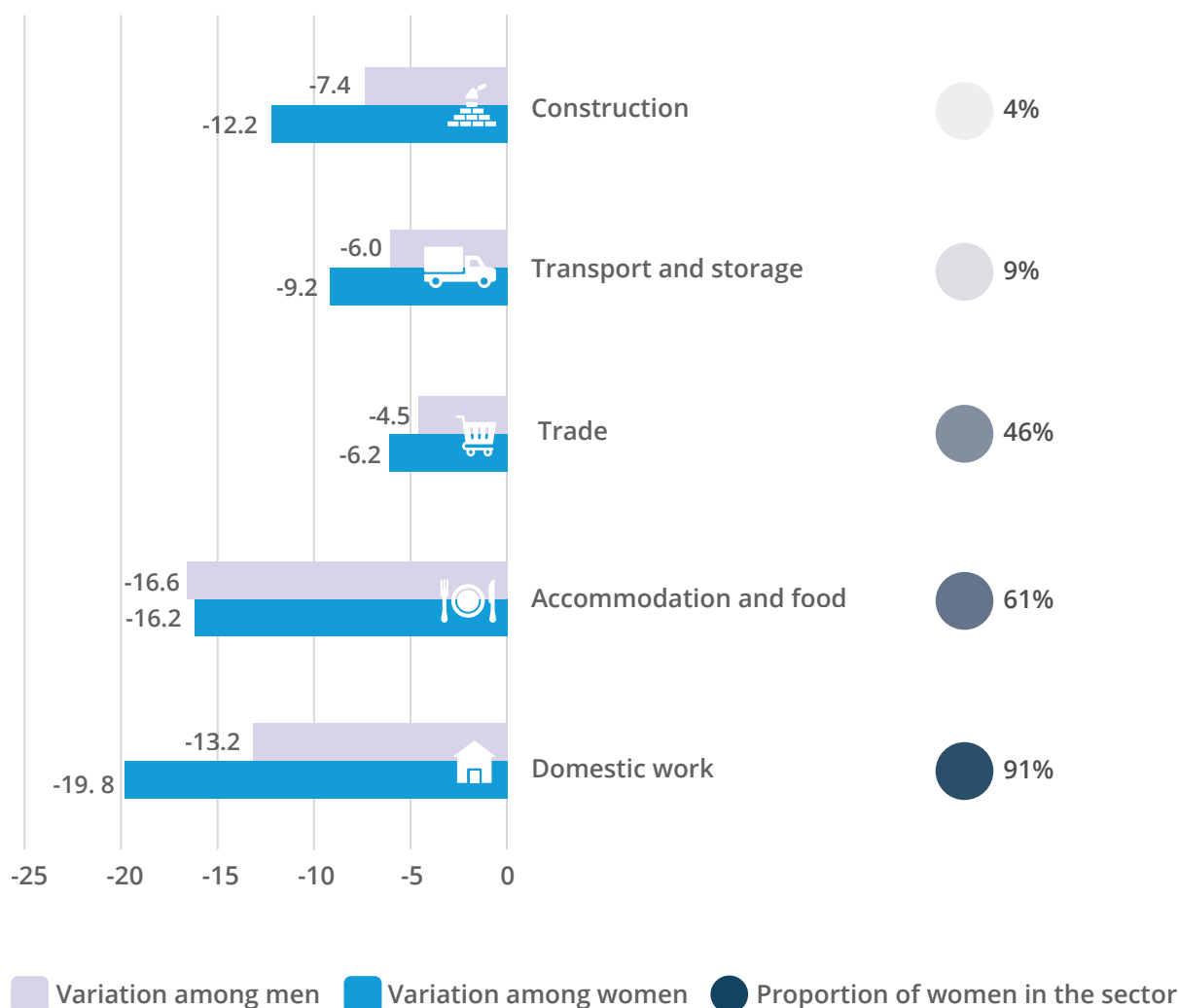
**Source:** Economic Commission for Latin America and the Caribbean (ECLAC) and International Labour Organization (ILO), on the basis of official information from the countries.

<sup>a</sup> The countries included are Argentina, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, Jamaica, Mexico, Nicaragua, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay.

To understand the disproportionate effects on women's paid employment, it is important to bear in mind that the sectors of economic activity most affected by job losses were precisely those that employ a sizeable proportion of women, such as domestic work (households as employers) and tourism (accommodation and food sector). Similarly, in terms of economic recovery, there has been an increase in employment in several highly skilled service sectors where there is lower participation by women.

**Figure 3. Latin America (12 countries): change in the number of employed persons by sex and sector and proportion of women by sector, 2019–2020**

(Percentages)



**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Household Survey Data Bank (BADEHOG).

<sup>a</sup> The countries included are Argentina, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Mexico, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay.

**Note:** The average figures for 2019 cover all the countries mentioned above except Chile and Mexico, for which figures from 2017 and 2018, respectively, are used.

It is likely that a significant proportion of the jobs in the industries affected by the crisis will be permanently lost, necessitating strategic investment in other sectors that will create new jobs and boost the economy as a whole. In this regard, it is important to emphasize that women's participation in the care economy sectors considerably exceeds that of men. Progress in expanding and improving conditions in these sectors

will not only have an impact on employment and income, but also on closing social and gender gaps.

In addition to creating jobs,<sup>6</sup> investment in care systems and policies can yield benefits by enabling women's integration into different areas of the workforce. Furthermore, it supports their economic autonomy and boosts family income, which can not only enhance families' consumption and savings capacity, but contribute to improving the quality of life for people in the household. At the same time, increased purchasing power and labour integration should lead to an increase in tax revenue from the various types of taxes, in line with the concept of tax progressivity.

Finally, investment in care systems can enhance well-being and improve efficiency in the health and education systems. Various studies (Yoshikawa and Kabay, 2015; Pianta and others, 2009; Schweinhart and others, 2005) show that preschool education and adequate care during early childhood can improve children's physical and cognitive development, especially for those from impoverished backgrounds, given that attending high-quality childcare centres can have lasting positive impacts on development and opportunities into adulthood.

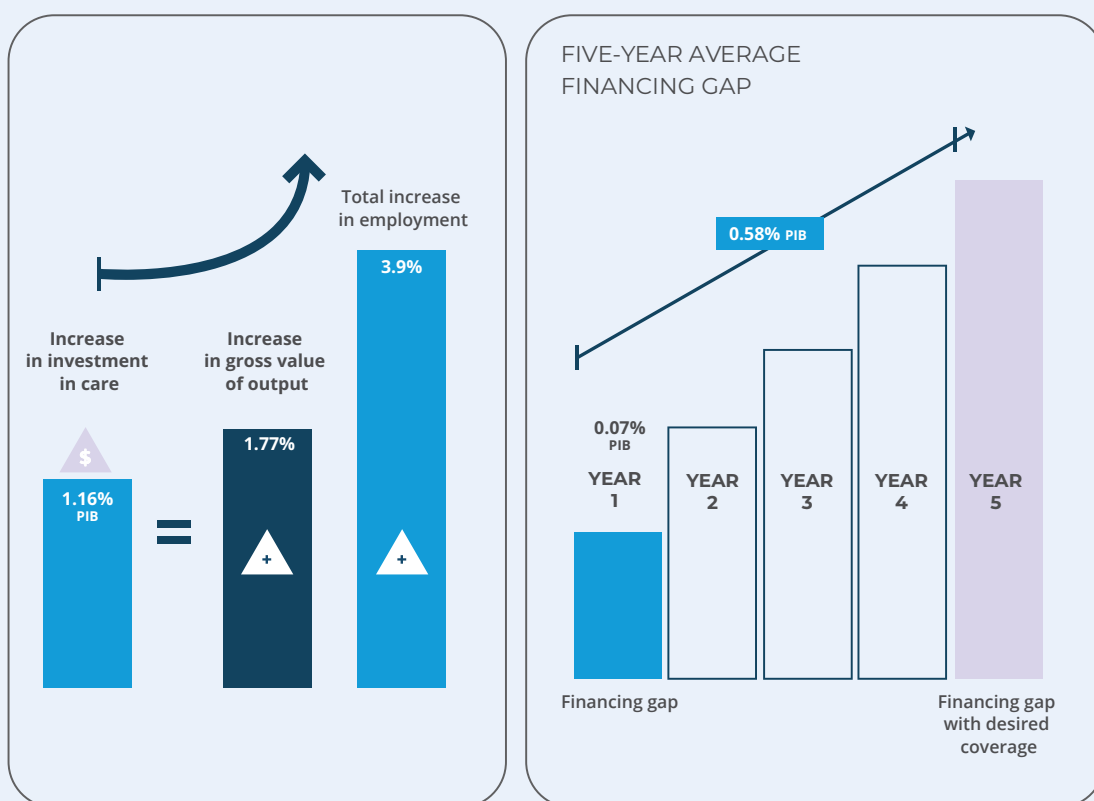
### **Box 1. Mexico: cost and returns of expanding childcare coverage for children aged 0–5 years**

In collaboration with ECLAC and the National Institute of Women, UN-Women conducted a study in Mexico to estimate the total annual costs, returns on investment, potential effects on employment, the economy, and additional tax revenues of a universal, free, and quality childcare system for children under 6 years of age.

The study was developed by devising various forward-looking scenarios, using a progressive approach with different levels of coverage, salaries and service quality in the childcare system for children under 6 years of age, over a five-year period.



According to these calculations, the establishment of a childcare system would translate into an average annual increase of 1.77% in the total gross value of output and a 3.9% jump in total employment relative to the size of the working population as of 2019. The investment would be equivalent to 1.16% of GDP, an investment that would generate additional fiscal revenue, through taxes and social contributions of 0.29% of GDP. Given that the existing childcare system in Mexico has an approximate fiscal cost of 0.45% of GDP, the additional financing needed over five years, on average, would be 0.58% of GDP. The findings of the study show that investment in care in Mexico is not only necessary, but also economically viable and sustainable.



**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), *Costs, Returns, and Effects of a Universal, Free, and Quality Child Care System in Mexico*, 2020.

Investment in care is essential as it is the foundation for sustaining life and facilitates the functioning of societies as a whole. It is also a key sector for creating jobs, improving family income and boosting the economy.

03

CARE WORK AND  
SOCIAL PROTECTION

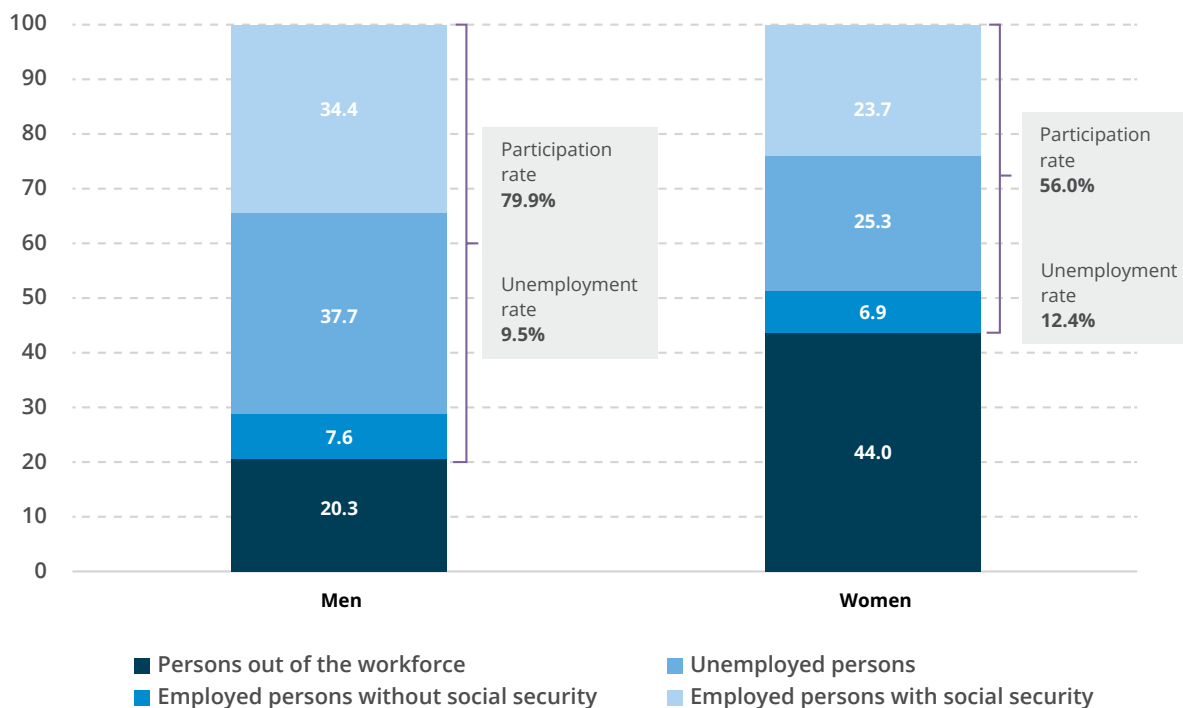
In Latin America and the Caribbean, social protection systems have traditionally been created based on three pillars —education, health and social security— and can vary considerably in terms of their characteristics and levels of development, coverage and quality of benefits (UN-Women/ECLAC, 2021b). In tandem with these three elements, care work is essential for individual and collective well-being and development. From this perspective, it is important to think of care in terms of personal development and as a key component for the sustainability of life and, therefore, the reproduction of the system as a whole. This ties in with discussions about the type of social protection matrix countries are striving to implement, since all people require care in their daily lives, and, without care, our societies cannot function.

Devising financing models for care policies and systems is as complex and multifaceted as other components of the social protection matrix. Indeed, the subject of care directly touches the entire population at some stage of their life cycle. Thus, developing care policies requires consideration of those in need of care as well as those who perform care work (UN-Women, 2022).

In broaching the issue of financing care policies and systems, it is important to avoid the gender biases that still exist in the social protection systems of most countries in the region. In many cases, access to benefits is conditional on access to formal, paid work. Thus, the sexual division of labour and the high rate of informality in the labour market has meant that many women in the region have no access to social protection or have access only as derived rights.

An analysis of access to social security reveals that only 23.7% of women in the workforce contribute to or are enrolled in a social security system. This figure rises to 34.3% for men (see figure 4). This discrepancy is explained in part by the higher proportion of women in informal sectors and precarious jobs (mainly domestic work), but also by the rigidity and lack of enabling conditions for engaging in formal employment in terms of schedules, working hours, availability and consideration of the need to harmonize the demands of providing care within households and the demands of paid work.

**Figure 4. Latin America (12 countries): a distribution of the workforce by status and access to social security, by sex, weighted average, around 2020**  
(Percentages)



**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Household Survey Data Bank (BADEHOG).

<sup>a</sup> The countries included are Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Mexico, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay.

**Note:** the average figures for 2019 cover all the countries mentioned above except Chile and Mexico, for which figures from 2017 and 2018, respectively, are used.

As mentioned initially, the current situation in countries in Latin America and the Caribbean is particularly challenging given that there is still no clear path out of the crisis caused by the COVID-19 pandemic and the war in Ukraine is dealing a major blow to the region (ECLAC, 2022e). Moreover, the high rates of informality in the region, combined with fiscal space constraints, result in regressive systems and high levels of indebtedness.

Therefore, efforts to develop mechanisms for financing care policies and systems cannot be undertaken in isolation, but must be framed within the discussion about the financing of the welfare state as a whole, that is, financing aimed at ensuring the universality of the pillars of social protection: education, health and social security, and adding care as a fourth pillar. However, this comprehensive approach must

evade the gender biases reinforcing the sexual division of labour that underpin the region's current social protection systems. This would require guaranteeing universal access to care based on the population's needs, eliminating the segregation and inequality of benefits that are provided under differentiated contributory and non-contributory schemes linked to participation in the formal labour market.

It is important that financing models are designed based on the principle of universality and from a gender-sensitive perspective, with a view to transforming the sexual division of labour and establishing the right to care and the care system as part of the social welfare apparatus.

# 04

PROPOSALS FOR THE  
SUSTAINABLE FINANCING  
OF COMPREHENSIVE CARE  
POLICIES AND SYSTEMS

In light of the above, the issue of financing care policies and programmes must be approached with innovation and accountability, integrating various sources to ensure the progressivity and the sustainability of care systems.

## **4.1 FINANCING MODELS AND SOURCES**

The establishment and consolidation of comprehensive care systems in any country in the region would entail developing or enhancing budget allocation procedures since progress cannot be achieved using only the sources currently available in the health, education or social security sectors. The systems must also be adapted to the existing conditions in each country, taking into account their institutional organization, the distribution of skills at various levels of government and how these skills interface, as well as the restrictions that may come into play based on the different sources of income (such as regulatory ones or those linked to the economic or political situation).

In terms of risk analysis (understanding that the need for care itself presents a risk), funding sources can be classified into two broad categories —ex-ante and ex-post— depending on the mechanisms through which they operate (Costa-Font, Courbage and Swartz, 2015).

- Ex-ante sources are those that are established before the need for care arises; this category would include contributions to public or private insurance programmes or earmarked funds.
- Ex-post financing mechanisms intervene when the need for care arises; this category would include most public sources and families' out-of-pocket expenses.

A paper prepared by Medellín and others (2018) analysed the sources of long-term care financing for 23 OECD countries, excluding countries in Latin America, Western Asia, and the United States. This study found that ex-post sources (taxes, out-of-pocket expenses and others) were more commonly used than ex-ante sources (social insurance and private insurance) and that taxes represent the ex-post mechanism most frequently used by governments. According to the study, all the countries analysed use taxes as a source of revenue, representing, on average, 52% of total financing for long-term care. With regard to ex ante mechanisms, social insurance is also used in many countries, and a sizable portion of countries employ social insurance

and taxes to varying degrees. Out-of-pocket expenses play a role in some countries, and private insurance programmes are incipient in all of them.<sup>7</sup>

From the financing perspective, three possible financing sources can be identified: (i) the public budget (from national and/or subnational governments); (ii) private sources; and (ii) mixed sources, whereby public funds are supplemented by private funds. While these three sources form the basis of the financing models in various care systems, some sources appear more often in certain types of policies or systems and/or in specific phases during the gradual implementation of the system (UN-Women, 2022).

Broadly speaking, three models for financing care can be identified, as illustrated in diagram 4.

**Diagram 4. Models for financing care**



Source: Economic Commission for Latin America and the Caribbean (ECLAC).

## **Financing models based on general revenues**

These financing models largely assume that revenue stems from general taxes and that the cost of all the activities to be implemented are borne by the countries' treasuries. They are generally based on ex post mechanisms as funding is provided when the need for care arises (Medellín and others, 2018).

In Latin America and the Caribbean, these models have several limitations. New resource demands on general revenues occur in contexts that are experiencing significant budgetary challenges, as noted at the beginning of this document.

To mitigate the impact of the social and economic crisis generated by the COVID-19 pandemic, the countries in the region implemented expansionary spending measures, while simultaneously grappling with a sharp fall in public revenue, leading to an increase in fiscal deficits and a rise in public debt (ECLAC, 2021b). There is also the risk of deepening distributional inequality if governments resort to general tax increases and/or an increase in the tax burden on sectors with inadequate capacity to support it (UN-Women, 2022).

Models of this type also face the risk that financing for the system may be compromised during periods of government when political priorities change, both in relation to the targeting of expenditure and reduction of the fiscal deficit. As the expenditure needed to support the system may not align with the key objectives, a lack of resources may present a significant constraint to sustaining and expanding the system. In addition, the implementation of a system financed by general revenues faces challenges in terms of political economy since a tax increase would elicit social resistance, particularly among those groups who will bear the present and/or future tax burden, if it is not perceived as a quid pro quo or benefit received in return (UN-Women, 2022).

Some of these challenges, in particular the use of general taxes, can be mitigated by using alternative sources of general revenues. Selective taxes, for example, are those levied on certain products as a way of discouraging consumption. Another way of channelling resources to general revenues to finance care policies is to establish contribution percentages for funds received from fees or royalties, or through some form of operation or a specific flagship activity that generates sustained windfall profits. Regional examples of this include funds from the generation and sale of surplus electricity or income from the exploitation of non-renewable natural resources, among others.<sup>8</sup>

## **Insurance-based financing models**

These financing models are developed based on specific contributions made by individuals before they require care services and are mainly geared towards care provided to older persons or in the event of the onset of an illness that makes income-generating activity impossible for the people who will benefit from these services. The resulting insurance market leverages the aggregate risk of people who present various levels of future risk and care needs (type, intensity and duration of care).

There are two main types of insurance models: private insurance, based on contracts between insurance entities and individuals; and social or public insurance. The former has only sparingly been applied to care activities, even in OECD countries (Fleitas, 2020 cited in UN-Women, 2022). This is primarily because of the inherent risk in insuring care, the issue of “adverse selection,” that is, the people who most frequently enrol in these insurance programmes are older and/or in poorer health (and, thus, have a higher risk of seeking care services covered by the insurance). This has an impact on the cost that insurers expect to face and, therefore, has repercussions for the premium they will need to charge, which ends up being high. To mitigate this problem, insurers may be tempted to set age limits for accepting or rejecting people with certain illnesses; however, these defensive ploys by companies may exclude the very people who most need insurance. Another issue faced by the insurance market is uncertainty since it is difficult to predict the future cost of care or other situations that may influence the cost of services. Again, insurers pass on this uncertainty—which influences the expected cost of care to be provided in the future—through the premium, which amplifies the economic barrier to access to private insurance (UN-Women, 2022).

These limitations regarding private insurance have led to the development of public insurance mechanisms as a way of facilitating access for lower-income families. International experience shows that contributions to public insurance are made through specific and mandatory payments, mainly associated with social security (as, for example, in Germany, Japan, Luxembourg, the Netherlands and South Korea), or, as in the case of Belgium, through health insurance contributions (Fleitas, 2020 cited in UN-Women, 2022). Like private insurance, public insurance is generally limited to long-term care expenses. These types of insurance must always be supplemented by out-of-pocket expenses that will vary according to the level of expenditure to be borne by the insured. For example, in Belgium, insurance covers a fixed percentage of the cost (which does not depend on the insured person’s income), and the rest is supplemented by out-of-pocket expenses. In Japan and South Korea, the cost is shared by those who use the service through a defined percentage in out-of-pocket expenses; this percentage may vary according to individuals’ income levels. In Germany, the State makes a fixed contribution, and insured individuals must pay the amount that exceeds this contribution (UN-Women, 2022).

However, the implementation of public insurance programmes in countries in Latin America and the Caribbean would encounter specific challenges, among which the following are particularly noteworthy: (i) the high rates of informality, which results in a lower tax base and a high degree of exclusion of many people who require care,

but earn income from informal work; (ii) the effects on formal employment of this increase in social security or health insurance contributions; (iii) the low average remuneration levels of people in the labour market, which is undermined by any out-of-pocket or additional expenditure for insurance benefits (Caruso Bloeck, Galiani and Ibarrarán, 2017). These challenges prevent social insurance from reaching the very populations that most need care services, creating barriers to access and eroding public benefits.

Ultimately, as models for financing care policies and systems, insurance-based systems —whether public or private— prove inadequate since they do not cover all the components required by a system (mainly financing services) and favour the population with access to the formal labour market or with a certain level of purchasing power. Furthermore, they focus mainly on long-term care for dependent persons, disregarding all the populations across society who require care. At the same time, the level of co-financing expected from families is a policy matter, associated with the level of public spending that society chooses to invest in care, and must be included in decisions pertaining to the target population, progressivity and sources of financing (Fleitas, 2020 cited in UN-Women, 2022).

## **Financing models based on mixed funds**

Mixed funds are an alternative option that combines diverse sources of financing, seeking a balance between social insurance, general revenue resources, specific taxes and direct payments by families. Another characteristic of these funds is that they are usually used for a specific purpose, with the target of the resources defined in their establishment.

International experience regarding the financing of care policies and systems offers few examples of financing with mixed funds. However, there are two examples of public policy solidarity funds in the region, the Fund for Social Development and Family Allowances (FODESAF) in Costa Rica and the National Health Fund (FONASA) in Uruguay (UN-Women, 2022). Although they are not specifically intended to be used for financing care, they can serve as a reference for understanding the model.

FODESAF was created by Law No. 5662 of 1974 in Costa Rica. It is intended to finance various social policies, including the National Child Care and Development Network (REDCUDI), which focuses mainly on children from lower-income households. During 2020, REDCUDI received 7.7% of the Fund. FODESAF is funded by contributions from general revenues, particularly sales tax, as provided for in the annual national budget,

and contributions from public and private employers equivalent to 5% of the salaries paid to their staff.

FONASA, in Uruguay, was a by-product of the establishment of the National Integrated Health System (SNIC) created by Law No. 18,131 in 2007. This Fund was developed as part of the process of creating the SNIC. It initially focused on people who were already covered by private and public providers, then grew to include the dependents under 18 years of age of those already covered. This expansion of the Fund's coverage is the result of a process of gradual integration spanning almost 10 years, which later included senior citizens, self-employed workers and professionals, among others. At present, FONASA is funded by mandatory contributions from workers in formal employment, contributions from their employers and a percentage of retirement and pension funds. In addition, FONASA is supplemented by the national budget from general revenues. Box 2 presents elements of the financing model for Uruguay's SNIC, through FONASA, that could be considered in designing the financing mechanisms for comprehensive care systems.

### **Box 2. Elements of the financing model for SNIC in Uruguay, through FONASA**

1. The SNIC incorporates mechanisms that had already been developed for health coverage, in an integrated manner within the framework of a public system.
2. Under SNIC, the provision of public and private health care was strengthened by integrating additional population groups that had been excluded from the private health care system, expanding health care coverage and improving service quality and the efficient use of resources.
3. There is a time lag between participants' contributions and use of services, a characteristic that is shared with insurance models.
4. Individuals' contributions are based on their contributory capacity, taking equity criteria into account in determining the contributions to the Fund.
5. The expansion of SNIC was aligned with the expansion of FONASA in that the system expands as revenue increases.



6. The payment mechanisms developed for providers are based on a combination of criteria. In some cases, there is a “health quota” adapted to the individual’s risk level based on age and sex and a “meta component” that seeks to reward the fulfilment of certain health objectives established by the regulator. This approach supports the principle of inter-generational solidarity and compels health service providers to contain costs, and in so doing, prompt the State to develop preventative policies.

**Fuente:** Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of V. Arbulo and others, El camino hacia la cobertura universal en Uruguay. Evaluación y revisión del financiamiento del sistema de salud uruguayo, Pan American Health Organization (PAHO), 2012.

A financing model for care policies and systems that takes the region’s challenges into account could be developed from a specific fund composed of mixed sources, as was done in Costa Rica to finance the National Child Care and Development Network (REDCUDI) through FODESAF or in Uruguay to finance the National Integrated Health System (SNIS) through FONASA.

The financing models proposed are not mutually exclusive and can be designed to accommodate the political and economic conditions in each country. In turn, any financing model that is designed and implemented may combine public and private contribution mechanisms involving co-payments by individuals and, in some cases, by State subsidies (UN-Women/ECLAC, 2021b). Strategies that encourage the implementation of mixed models provide greater financial sustainability for policies and programmes since, with diversified resources, when one source dwindles because of the economic situation, the others can help maintain the benefit or service. However, when designing mixed financing models, it is important to ensure that these schemes do not create or deepen segmentation, with low-quality, saturated public services or benefits and higher-quality services provided through private or semi-private schemes.

When analysing financing models for comprehensive care policies and systems, it should be borne in mind that most countries in the region already implement and finance a number of policies and programmes that contribute to the recognition, reduction and redistribution of care work (UN-Women, 2022). For this reason, it is important to clearly identify the starting point based on the definition of care adopted by the country in terms of the activities that are already being implemented,

their budget and the pre-existing institutional structure. The challenge will then be to coordinate the existing programmes and policies with a system composed of progressive implementation stages and with the goal of ensuring financial sustainability.

To design financing models for care systems in the countries of the region, it is essential to analyse various alternatives that promote the diversification of funding sources, seeking an appropriate combination of social insurance, budgetary resources from general revenues, specific taxes and direct payments from families..

## **4.2 BROADENING THE SCOPE: ADDITIONAL SOURCES OF FINANCING IN THE CURRENT REGIONAL CONTEXT**

Against a backdrop of fiscal restrictions and growing social needs, new strategies are needed to expand fiscal space and promote strategic investment, such as investments in comprehensive care policies and systems that generate a high economic and social return.

Studies conducted prior to the crisis caused by the COVID-19 pandemic had already established the importance of expanding fiscal space for social protection and boosting social investment (Ortiz, Cummins and Karunanethy, 2017, cited in ILO, 2017). Now, in light of the urgent recovery measures adopted to confront the multiple crises facing the region, the ECLAC Fiscal Panorama (2022b) establishes the critical need to enhance revenue collection and improve the progressivity of the tax architecture by addressing the structural weaknesses of the region's tax systems. Some of these recommendations are outlined in box 3.

### **Box 3. Recommendations to strengthen revenue collection and enhance the progressivity of the tax architecture**

1. Step up efforts to reduce the high levels of tax evasion and avoidance. It is estimated that income tax and VAT evasion in Latin America is equivalent to 6.1% of GDP, according to available data (ECLAC, 2022c).
2. Re-examine the high fiscal cost of tax expenditure —that is, benefits that reduce the tax burden— taking into account their distributional impacts and contribution to the objectives outlined. It is estimated that, between 2013 and 2017, in 13 countries in Latin America, these tax waivers represented, on average, at least 3.7% of GDP (ECLAC, 2019).
3. Generate new sources of revenue, which would mean increasing the tax burden and enhancing progressivity in the medium term. Compared to countries of a similar income level, the region's tax burden remains low and heavily biased towards regressive taxes. In 2019, the average tax burden in Latin America and the Caribbean stood 10.7 percentage points of GDP below the average for OECD countries. This difference is explained mainly by a smaller share of revenue obtained from direct taxes (OECD and others, 2022).

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of ECLAC, *Fiscal Panorama of Latin America and the Caribbean*, 2022 (LC/PUB.2022/7-P), Santiago, *Economic Survey of Latin America and the Caribbean*, 2022 (LC/PUB.2022/9-P/-\*), Santiago, 2022, *Women's autonomy in changing economic scenarios* (LC/CRM.14/3), Santiago, 2019, and Organisation for Economic Co-operation and Development (OECD) and others, *Revenue Statistics in Latin America and the Caribbean 2022*, Paris, OECD Publishing, 2022.

Efforts to curb tax evasion and reduce exemptions and expenditures in sectors and activities that do not produce a clear economic and social impact can generate additional resources.

In sum, direct taxation —of both income and assets— must be strengthened, and tax frameworks must be adapted to the new best practices in international and digital taxation, exploring the potential of new instruments such as environmental taxes or selective taxes on products that pose a threat public health (ECLAC, 2022b).

It is also important to manage debt strategically since the Latin America and Caribbean region bears the heaviest debt burden globally, a situation that worsened

considerably because of the pandemic. The rise in debt service imposes additional constraints owing to the diversion of resources from the provision of public goods towards the payment of debt obligations (ECLAC, 2021c). To address this challenge, ECLAC (2022c) highlights the need to expand and redistribute liquidity, for example, by issuing special drawing rights (SDR) and recirculating them to developing countries, along with the establishment of multilateral funds. It is also necessary to reform the credit rating system. Consideration should be given to establishing a multilateral credit rating agency to function as a neutral observer and counterweight to private agencies. The Fiscal Panorama of Latin America and the Caribbean (ECLAC, 2022b) outlines a number of reference frameworks for reformulating fiscal regulations in line with the adoption of more flexible macroeconomic frameworks likely to expand fiscal space. The protection of social spending and public investment—which have functioned as adjustment variables over the past decade—figure among these recommendations, in accordance with the guidelines of the 2030 Agenda for Sustainable Development. The multiplying and equalizing effects of social spending are also clear, in a context in which investments with high economic and social returns are even more crucial.

To successfully transform the development paradigm, care and the sustainability of life must be placed at the centre of public policy, with the promotion and consolidation of comprehensive care systems. These consolidation efforts will entail confronting the challenge of financing them in light of the contextual complexities. It will also involve addressing them through innovative mechanisms by means of a social and fiscal compact that simultaneously and synergistically contributes to economic recovery and to closing gaps, based on the principles of economic and climate justice and gender equality.



NOTES

- <sup>1</sup> According to data from the gender tab of the COVID-19 Observatory in Latin America and the Caribbean, promoted by ECLAC with the support of UN-Women, more than 40 measures associated with the care economy have been implemented in 14 countries in the region. See details in ECLAC (n/d).
- <sup>2</sup> In 2015, Uruguay became the first country in Latin America to establish a National Integrated Care System (SNIC).
- <sup>3</sup> See Inter-American Model Law on Care [online] <https://www.oas.org/es/cim/docs/LeyModeloCuidados-EN.pdf>.
- <sup>4</sup> Estimates were obtained from input-output tables for 82 countries representing approximately 94% of global GDP in 2019 and 87% of the global employed population (including women and men working in the informal economy). Details of the calculations are available in De Henau (2022).
- <sup>5</sup> The countries included were Denmark, France, Germany, Italy, Spain, Sweden, the United Kingdom and the United States (plus the EU-28 as a whole).
- <sup>6</sup> In an estimate of eight OECD countries, De Henau and Himmelweit (2021) show that the job creation potential of the care sector is up to three times that of investing in construction.
- <sup>7</sup> According to the aforementioned study, Germany, Portugal, Slovenia, Spain and Switzerland record more than 20% in out-of-pocket spending to finance long-term care. See Medellín and others (2018)..
- <sup>8</sup> For example, Paraguay finances socio-environmental or infrastructure projects with funds from the sale of electricity generated by the Itaipu dam (UN-Women, 2022).

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**In Latin America and the Caribbean, care has gradually been placed at the centre of public agendas, albeit unevenly, as a result of growing political commitments, as well as the work of women's movements and feminist economic studies. These contributions have focused on the need to reorganize and redistribute care work as a key factor in more egalitarian and inclusive societies.**

**Over the course of more than four decades, the member States of ECLAC, meeting at sessions of the Regional Conference on Women in Latin America and the Caribbean, have adopted the Regional Gender Agenda, which aims to guarantee women's rights and drive progress towards their autonomy, laying the foundations for societies with equality. In that framework, governments of the region have adopted a number of agreements that are essential for designing and implementing care policies. The agreements reaffirm the principles of universality and progressivity in access to quality care services, the importance of co-responsibility between men and women, and among the State, the market, communities, and families, as well as the importance of promoting the financial sustainability of public care policies aimed at achieving gender equality.**

