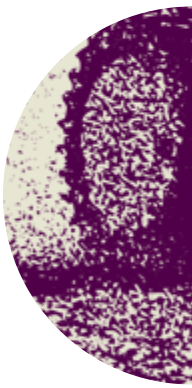




# 7

**Employment,  
income, and  
vulnerability  
in rural areas**



## Key messages

Although rural poverty has declined over the past two decades, households—particularly agricultural ones—remain highly vulnerable due to informality and limited diversification of income sources.

Over the last two decades, the rural poverty rate in Latin America and the Caribbean has been cut in half, yet it remains twice as high as the urban rate and still affects one in every three people living in rural areas.

Rural households are diverse: not all depend on agriculture, but those engaged independently in the agricultural sector face the highest levels of poverty and vulnerability.

Many vulnerable rural households—and within them, particularly women—devote a significant share of their time to subsistence production. While this activity provides a basic means of sustenance, it also increases these households' vulnerability to productive and climate-related shocks, reinforcing their disadvantages.

Rural employment is undergoing a transition. For the first time, fewer than half of workers are employed in agriculture, while non-agricultural jobs are gaining ground. Yet, two-thirds of rural workers are informally employed, and rural wages continue to lag.

Rural poverty is mitigated by private transfers such as remittances and by public transfers, although the latter still face constraints in coverage, sufficiency, and accessibility in rural areas and among specific groups.



Strengthening social protection is essential—by expanding income transfers and non-contributory pensions that are more adequate, better targeted, and effectively reach Indigenous populations and geographically isolated households. At the same time, linking social protection with productive inclusion is key to promoting upward mobility.



Diversifying rural employment requires investment in high-potential sectors—both agricultural and non-agricultural—supported by training and labor policies aligned with local demand and the ongoing transition toward more sustainable activities.



Reducing inequality calls for closing gender and ethnic gaps through the expansion of childcare services, investment in time-saving infrastructure, financial inclusion, and employment policies that promote the participation of women and Indigenous peoples in quality jobs.



# Employment, income, and vulnerability in rural areas<sup>1</sup>

## Introduction

Rural areas in Latin America and the Caribbean (LAC) are marked by deep inequalities. Although rural poverty has fallen by half over the past two decades, it still affects one in three residents, twice that of urban poverty. Life in rural areas continues to be defined by greater risk and vulnerability resulting from limited access to basic services, poor infrastructure, and fewer job opportunities. Understanding how rural families make a living and the challenges they face is essential for designing policies that reduce inequalities and expand development opportunities.

The agricultural sector<sup>2</sup> has historically been the backbone of the rural economy and remains a vital source of income and employment (Gáfaró et al., 2025). Millions of households depend on agricultural activities, most of them through self-employment in small production units. However,

this sector combines low productivity with high levels of informality, leaving those who rely on it vulnerable to poverty and to economic or climate-related shocks. At the same time, fewer than half of rural workers are now employed in agriculture, reflecting a shift toward other occupations that, while expanding, do not always provide quality employment conditions.

This chapter updates and expands the available evidence on rural livelihoods. Unlike other reports that have examined employment and rural–urban gaps (Byerlee et al., 2008; Weller et al., 2016; Cicowiez et al., 2006), it offers a detailed picture of rural households' livelihood strategies and how they have evolved amid the region's ongoing structural transformation. The analysis draws on harmonized household survey indicators from CEDLAS (2025), the most comprehensive and consistent database

<sup>1</sup> This chapter was written by Dolores de la Mata and Mariana Marchionni. Iván Albina and Juan Barnes provided research assistance.

<sup>2</sup> Throughout the chapter, the term “agricultural sector”—or simply “agriculture”—is used to refer to the productive activities encompassing agriculture, livestock, hunting, and forestry.

for long-term socioeconomic monitoring—with representative data for rural and urban areas in 14 countries across the region from 2003 to 2023.

The findings reveal the diversity of rural realities. Not all households depend on agriculture, and among those that do, conditions vary widely. The greatest vulnerabilities are concentrated among households with limited income diversification—particularly those that rely almost entirely on self-employment in low-productivity agricultural work. Informality extends beyond agriculture, affecting a wide range of activities and limiting access to social protection, thereby perpetuating labor precariousness in rural areas.

In this context, progress in reducing poverty coexists with persistent challenges that disproportionately affect the most vulnerable groups in rural areas—particularly women and Indigenous peoples. This calls for policies that not only strengthen social protection but also promote productive inclusion.

The chapter concludes by underscoring the need to promote employment diversification toward higher-potential activities, foster labor formalization, and ensure that the most disadvantaged segments of the rural population can effectively access these opportunities. These are key steps to reducing rural households' vulnerability and expanding their development opportunities.

## Rural households and their link to the agricultural sector

The process of structural transformation in LAC's economies has significantly reshaped the economic strategies and opportunities available to rural households. Far from the traditional stereotype of being purely agricultural,<sup>3</sup> today's rural households display remarkable diversity—not only across countries, but also within them.

In this context, it is useful to distinguish between agricultural households, defined here as those in which the head of household or spouse has their main occupation in the agricultural sector—and other rural households.<sup>4</sup> On average, one in four households in LAC lives in rural areas, and 44% of these are agricultural.<sup>5</sup> Figure 7.1 illustrates how rural households are distributed according to this classification.

3 For simplicity, the term “agricultural” is used to refer both to households, as described in the text, and to income derived from that sector.

4 This definition is similar to that proposed by Gáfaró et al. (2025), with one key difference: those authors classify a household as agricultural if it has at least one member employed in the sector, while here a more restrictive criterion is applied—based on the occupation of the head or spouse. This approach avoids classifying as agricultural those households whose connection to the sector is marginal (for example, when the only member engaged in agriculture is a child, possibly as an unpaid worker) and assumes that the occupation of the head or spouse more accurately reflects the household's main axis of economic participation. Beyond this conceptual distinction, the share of households classified as agricultural does not differ substantially when applying either definition.

5 The countries included in the analysis are those covered in the CEDLAS (2025) database with representative data for rural areas over the 2003–2023 period: Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Honduras, Mexico, Panama, Paraguay, Peru, the Dominican Republic, and Uruguay. Graph A.7.1 in the appendix to this chapter, available in the online edition of the RED, shows the share of the rural population and rural households in the national totals derived from these data. Together, these 14 countries account for roughly 80% of LAC's rural population, according to estimates by the Latin American and Caribbean Demographic Centre (CELADE–ECLAC Population Division & DPNU, 2024). Throughout the chapter, the indicators presented correspond to the simple average of these 14 countries. The use of simple rather than population-weighted averages helps prevent results from being disproportionately influenced by the largest countries in demographic terms. Brazil and Mexico together represent 55% of the total rural population and 65% of the urban population in this sample. Rural areas are defined according to the criteria established by each country's national statistics institute.



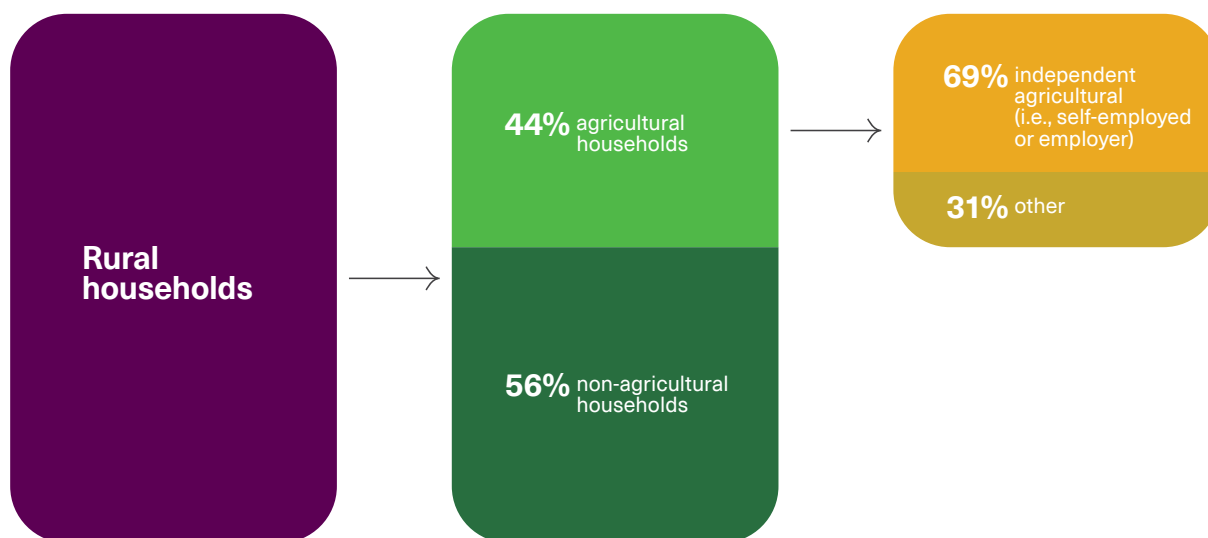
**Far from the traditional stereotype of the purely agricultural household, today's rural households show remarkable diversity—not only across countries, but also within them**

Among agricultural households, a particularly relevant subgroup stands out: independent agricultural households. This category includes those in which the head of household or spouse

is self-employed (61% of agricultural households) or an employer (8%). Unlike other agricultural households, their productive activity depends on their own capacity to generate income from land, family labor, and, in some cases, the hiring of additional workers. These households largely correspond to the small-scale production units that predominate in LAC (see Chapter 2) and are generally characterized by low productivity and high vulnerability. On average, they account for 69% of rural agricultural households and nearly one-third of all rural households in the region.

**Figure 7.1.**

Classification of rural households according to their employment link with the agricultural sector. Average for Latin America and the Caribbean, 2023



**Note:** Agricultural households are defined as rural households in which the head or spouse has their main occupation in the agricultural sector. Within this group, independent agricultural households are those in which the head or spouse is self-employed or an employer.

**Source:** Authors, based on CEDLAS data (2025).

## Box 7.1

### Agricultural households, land tenure, and agricultural production

Household surveys in El Salvador (ONEC, 2023), Mexico (INEGI, 2022), and Peru (INEI, 2024) include, in addition to the standard labor modules, agricultural modules that make it possible to compare the definition of agricultural household used in this chapter with indicators of agricultural production and land tenure.

According to the labor modules, rural agricultural households represent 26.8% of all rural households in El Salvador, 56% in Mexico, and 89% in Peru. Among them, independent agricultural households account for 58%, 74%, and 90%, respectively.

Data from the agricultural modules in El Salvador and Peru make it possible to examine the relationship between agricultural households and land ownership. In Peru, 61% of agricultural households own farmland, while in El Salvador the proportion is 22%.

The link with producer status is clear for independent agricultural households. For instance, all independent agricultural households in both El Salvador and Peru report engaging in agricultural production, whether for self-consumption, commercialization, or both. In terms of land tenure, ownership predominates among agricultural households in Peru (70%), although other arrangements are also observed, such as rental agreements (less than 4%) and sharecropping or lending (28%). In El Salvador, ownership is less common (34%), while rental and sharecropping are more prevalent (36% and 30%, respectively). In Mexico, the National Survey of Household Income and Expenditure (ENIGH) for 2022 does not collect data on land tenure but confirms that all independent agricultural households are also producer households.

This classification makes it possible to capture different degrees of exposure to long-term phenomena—such as the process of structural transformation—and to short-term shocks, whether climatic or macroeconomic, by focusing on the core of each household's productive strategy. Although the classification does not assume that agricultural households depend exclusively on agriculture, it is neither based on land ownership nor does it necessarily imply that they are producers. In practice, however, these dimensions often overlap, as illustrated in Box 7.1 with examples from El Salvador, Mexico, and Peru.



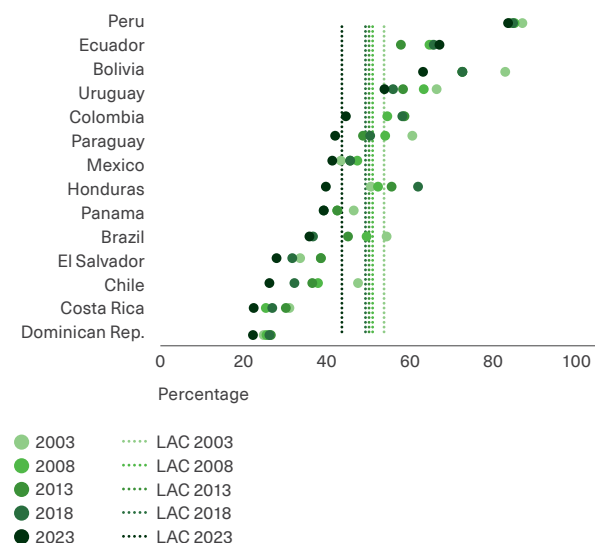
**A clear downward trend is observed in the share of agricultural and independent agricultural households across most of the region**

The share of agricultural households varies widely across countries, as shown in Panel A of Graph 7.1. In Peru, 84% of rural households are agricultural, compared with just 22% in Costa Rica and the Dominican Republic. These figures highlight the heterogeneity of the rural economy, with diverse forms of economic participation that, as discussed later, are associated with different levels of vulnerability. Cross-country differences are also evident in the relative share of independent agricultural households. Panel B of Graph 7.1 shows that this share ranges from 75% in Peru to only 7% in Costa Rica. This diversity translates into varying degrees of vulnerability, as explored in the following section. Beyond these cross-country differences, the graph also reveals a clear downward trend in both agricultural and independent agricultural households across most of the region over the past two decades, with particularly steep declines in Brazil, Bolivia, Chile, and Paraguay.

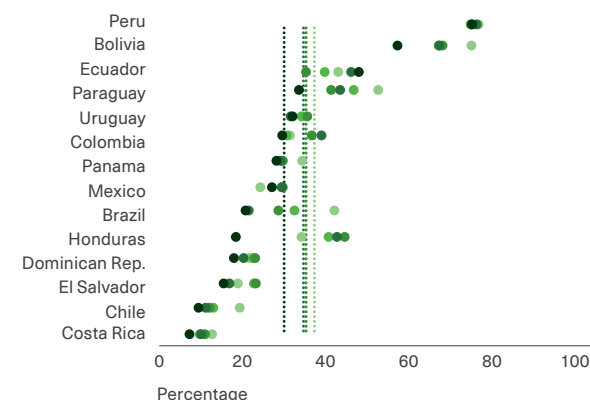
## Graph 7.1

Evolution of the share of agricultural and independent agricultural households in total rural households in Latin American and Caribbean countries, 2003–2023

**Panel A.**  
Agricultural households (percentage of rural households)



**Panel B.**  
Independent agricultural households  
(percentage of agricultural rural households)



**Note:** Agricultural households are defined as those in which the head or spouse has their main occupation in the agricultural sector. Within this group, independent agricultural households are those in which the head or spouse is self-employed or an employer.

**Source:** Authors, based on CEDLAS data (2025).

## Rural household income

The income sources of rural households directly affect their level of economic vulnerability. This section examines the levels and trends of household income, poverty incidence, and the composition of total income for all rural

households, as well as for agricultural and independent agricultural households. Key aspects of income measurement in rural areas—essential for interpreting the statistics—are discussed in Box 7.2.

### Rural income and the rural–urban poverty gap

Over the past two decades, LAC has experienced sustained growth in household income, accompanied by a sharp reduction in poverty (World Bank, 2022b; ECLAC, 2021; Gasparini et al., 2023). On average, per capita household

income—measured in constant 2017 dollars and adjusted for purchasing power parity (PPP)—grew by 58% between 2003 and 2023. Growth was stronger in rural households (87%) than in urban

## Box 7.2

### Measuring income in rural areas

Measuring income in rural areas poses specific challenges that must be considered to ensure an accurate interpretation of the statistics. These challenges relate to differences in the cost of living between rural and urban areas, the relative importance of non-monetary income, and the limitations of capturing such income in household surveys. The main methodological aspects are outlined below.

A first key aspect relates to differences in price levels and cost of living. CEDLAS (2015) estimates that, on average, prices in rural areas of LAC are about 15% lower than in urban areas. While national household surveys generally do not incorporate this adjustment, the CEDLAS database (2025) applies it uniformly across all countries, thereby improving regional comparability.

Another important factor is the greater prevalence of non-monetary income among rural households, such as the consumption of goods from their own agricultural or non-agricultural production, or payments in kind. The CEDLAS database (2025) includes a harmonized measure of total household income that incorporates both monetary labor income (such as wages and self-employment earnings) and non-monetary income (including the value of goods produced for self-consumption and remuneration in kind—for example, food, housing, or services provided by the employer). As discussed later, excluding self-consumption would underestimate available resources and distort poverty measurements, particularly among lower-income households.

A third aspect relates to income from agricultural activities, which accounts for a significant share of rural earnings. These incomes tend to show strong seasonal fluctuations, requiring reference periods long enough to reduce bias. In Colombia, for example, surveys use different reference periods depending on the area—monthly in urban zones and annual in rural ones. In most countries, however, this distinction is not applied.

Finally, it is also important to consider the limitations associated with income underreporting. Carletto et al. (2022) show that this bias is more pronounced for agricultural income and tends to increase with the level of well-being. Nevertheless, the evidence suggests that using self-reported income from household surveys remains the best available option for measuring poverty in LAC, given the lack of comparable and harmonized consumption data.

As discussed in detail in Chapter 6, sustained income growth has driven a significant reduction in poverty across the region, particularly in rural areas.<sup>6</sup> On average, the share of the rural population living below the international poverty line of USD 6.85 per day declined from 66% to 34%, although it remains twice as high as in urban areas. This pattern is observed in most countries, albeit with varying degrees of progress.



**Despite overall improvements in rural income, households engaged in agriculture—particularly those operating independently—remain among the most economically vulnerable**

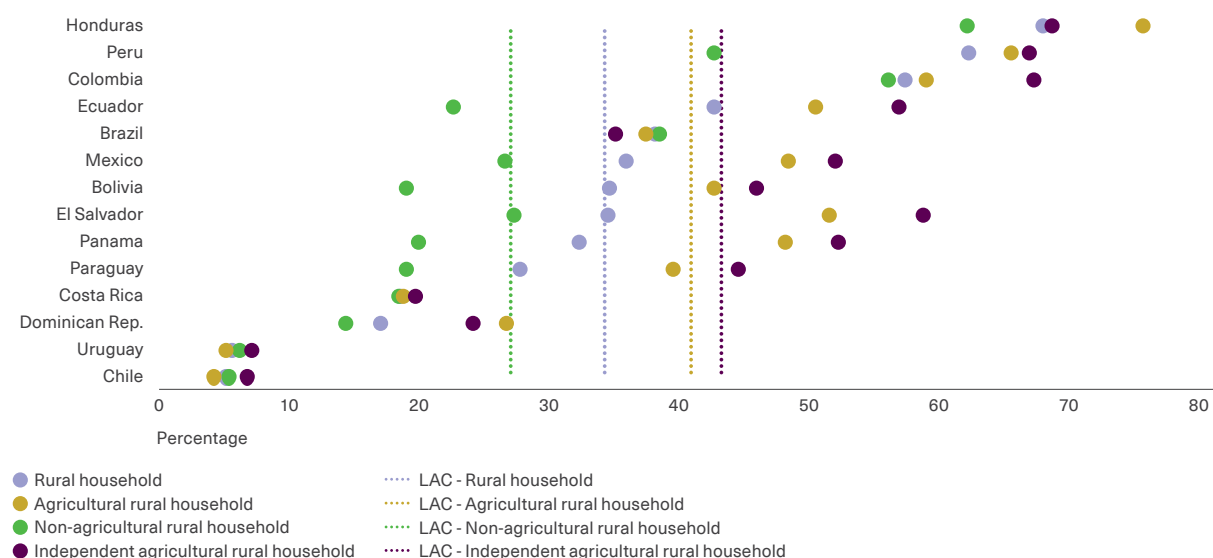
6 Haiti and Venezuela are likely the only exceptions to the general trend of poverty reduction in the region over recent decades, although no official statistics are available for these countries.

The reduction in rural poverty extends to all types of households—both agricultural and non-agricultural, and within the former, both wage-earning and independent. However, marked differences in vulnerability persist. In 2023, the rural poverty rate stood at 34%, but rose to 41% among agricultural households and 43% among independent agricultural households. In contrast, poverty incidence among non-agricultural rural households was considerably lower, at 27%.

This pattern is observed in nearly all countries (Graph 7.2), suggesting that engagement in agricultural activity—particularly when undertaken independently—remains associated with higher levels of economic vulnerability, even amid overall improvements in rural incomes.<sup>7</sup> The exception is countries with high-productivity agriculture, such as Brazil, Chile, and Uruguay, where poverty levels show little variation according to households' degree of involvement in the agricultural sector.

## Graph 7.2

Rural poverty in Latin American and Caribbean countries by household type, 2023



**Note:** Poverty is defined as the share of individuals living in households with income below USD 6.85 per person per day at purchasing power parity (PPP). Agricultural households are defined as rural households in which the head or spouse has their main occupation in the agricultural sector. Independent agricultural households are those in which the head or spouse is self-employed or an employer.

**Source:** Authors, based on CEDLAS data (2025).

7 When separating households of self-employed workers and employers (the two groups that make up the set of independent agricultural households), it becomes clear that the former are much poorer than the latter (45% versus 23%). However, since employers represent, on average, only about 8% of all agricultural households, they were kept within the broader group of agricultural households for the analysis presented in Graph 7.2. An additional finding is that agricultural non-independent households show, on average, lower poverty rates than independent ones. This result is particularly striking, as it contrasts with the historical view of day laborers as the most vulnerable group in Latin American rural societies—a view long associated in the literature with semi-feudal labor relations, landlessness, and peasant movements (Bobonis & Morrow, 2014; Knight, 1986; McCreery, 1983). The evidence suggests that, in the current context, that relative disadvantage has been reversed.



Chichicastenango Market, Guatemala.

## How rural households generate income

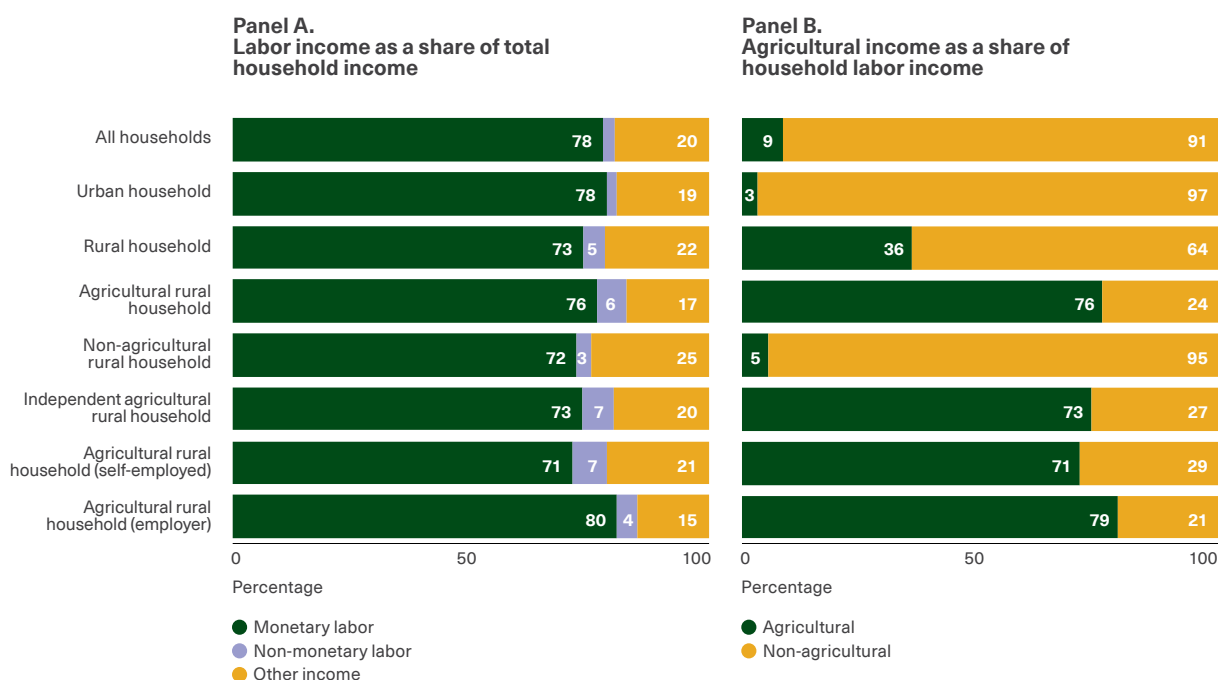
Most household income comes from work. According to household survey data, labor income—including both monetary and non-monetary components—accounts for an average of 78% of total income among rural households in the region, only slightly below the share observed among urban households (80%).

Panel A of Graph 7.3 shows that, within the rural population, agricultural households depend even more on labor income than other rural households. Labor income accounts for 82% of total income

among agricultural households and 75% among non-agricultural rural households. Within agricultural households, the share is slightly lower among independent ones, at 79%. This reflects the fact that this subgroup is concentrated in the lower deciles of the income distribution, where low self-employment productivity limits the relative contribution of labor income, while public and private transfers—such as remittances, family support, or community networks—make up a significant share of total household income.

### Graph 7.3

Decomposition of household income by household type. Average for Latin America and the Caribbean, 2023



**Note:** Labor income includes both monetary income (such as wages or self-employment earnings) and non-monetary income (such as self-consumption and in-kind remuneration). Agricultural household income is estimated as the sum of all labor income (from both primary and secondary occupations) earned by members whose main occupation is in the agricultural sector. Agricultural households are those in which the head or spouse has their main occupation in agriculture, while independent agricultural households are those in which the head or spouse is self-employed or an employer. Totals may differ slightly from 100% due to rounding.

**Source:** Authors, based on CEDLAS data (2025).



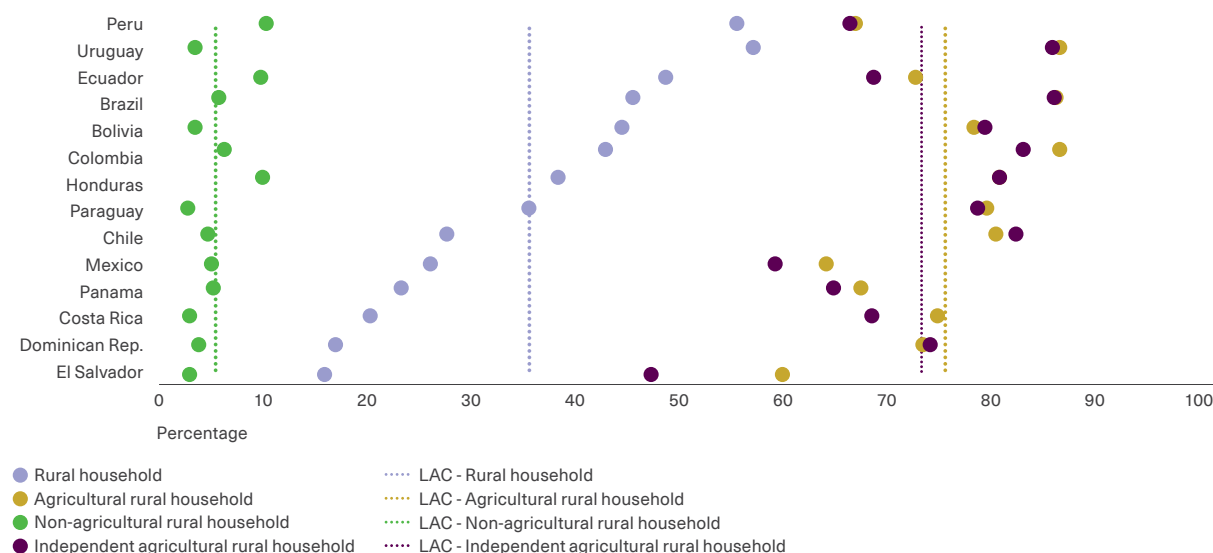
## A high dependence on agricultural income exposes households to greater risk and deepens their vulnerability beyond what poverty rates reveal

The differences become even more pronounced when comparing the composition of labor income across household types, as shown in Panel B of Graph 7.3. On average, 36% of rural household labor income comes from activities in the agricultural

sector.<sup>8</sup> Naturally, this share is much higher among agricultural households (77%) and independent agricultural households (75%). This concentration is even greater in some countries—such as Brazil and Uruguay—where around 87% of labor income among both agricultural and independent agricultural households is linked to the agricultural sector, as shown in Graph 7.4. By contrast, among non-agricultural rural households, the contribution of agricultural income is marginal, averaging only 5% across the region and peaking at around 10% in countries such as Ecuador, Honduras, and Peru.

### Graph 7.4

Agricultural income as a share of labor income by household type in Latin American and Caribbean countries, 2023



**Note:** Agricultural household income is estimated as the sum of all labor income (from both primary and secondary occupations) of members whose main occupation is in the agricultural sector. Agricultural households are those in which the head or spouse has their main occupation in agriculture, while independent agricultural households are those in which the head or spouse is self-employed or an employer.

**Source:** Authors, based on CEDLAS data (2025).

<sup>8</sup> Household agricultural income is estimated as the sum of all monetary and non-monetary labor income (from both primary and secondary occupations) earned by members whose main occupation is in the agricultural sector. A significant share of agricultural income may come from self-production. In household surveys such as ENAHO (Peru) and ENIGH (Mexico), this component can be estimated directly, using specific modules for producers, or indirectly, based on the labor income reported by self-employed workers. The direct method yields values for self-production that are between 25% and 30% higher than those estimated indirectly—a difference consistent with the findings of Gáfaró et al. (2025).

This specialization in agricultural activities can heighten household exposure to sector-specific risks, particularly among those in the lowest income deciles, contributing to deeper vulnerability than that reflected in poverty rates. Moreover, heavy dependence on agriculture may limit opportunities for diversification and participation in other sectors. The literature shows that this situation stems from multiple frictions—financial, institutional, and related to labor mobility—that hinder the reallocation of workers toward more productive

activities and create poverty traps in which households remain in low-productivity occupations with limited opportunities for accumulation or transformation (Banerjee & Duflo, 2011; Carter & Barrett, 2006; La Porta & Shleifer, 2014). Conversely, the expansion of employment in non-agricultural sectors within rural areas is consistently associated with lower levels of poverty, food insecurity, and inequality (Imai et al., 2015; Lanjouw & Murgai, 2009; Rahman & Mishra, 2020).

## Diversification of labor income and vulnerability in rural areas

The analysis of income sources reveals the economic strategies of rural households and highlights their levels of vulnerability. Panel A of Graph 7.5 shows that, as household income increases—measured by deciles of total household income within each country—the share of labor income in total income also rises significantly. On average, labor income accounts for only 39% of total income among rural households in the first decile, compared with 86% among those in the top decile. The lower share of labor income in the bottom deciles is partly offset by a greater incidence of public and private transfers.

Panel B of Graph 7.5 shows, for all rural households, a clear positive relationship between the level of labor income and the degree of labor market diversification. In the lowest deciles, agricultural income represents more than 63% of total labor income and is largely derived from self-employment in agriculture. As income rises along the distribution, wage employment in other productive sectors becomes increasingly important. By contrast, self-employment in non-agricultural activities remains relatively stable across income levels. In sum, higher-income rural households have a more diversified employment structure, which can help reduce their economic vulnerability.

Panel C of Graph 7.5 repeats this analysis but focuses exclusively on agricultural rural households. Among those in the lower deciles, labor income comes almost entirely from independent work in the agricultural sector (either as self-employed or employers), accounting for 75% of the total. The share of income from agricultural wage employment increases across the first few deciles, reaching its peak around the fourth decile before declining. In higher-income households, non-agricultural sources of income account for a larger share.

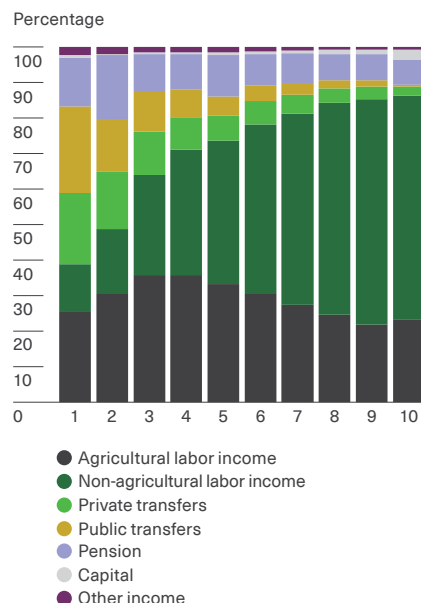
Although some diversification of labor income sources is observed among higher-income agricultural households, agricultural income remains predominant—accounting for 68% even in the top decile.<sup>9</sup> This dependence on the agricultural sector can limit households' capacity to respond to economic or climate shocks, as well as to broader changes associated with structural transformation.

9 Gáfaró et al. (2025) documented similar patterns, showing that the combination of labor activities is very limited among lower-income households—especially among those engaged exclusively in agriculture—while diversification increases at higher income levels, although it is not widespread. The findings presented in this chapter are consistent with that evidence.

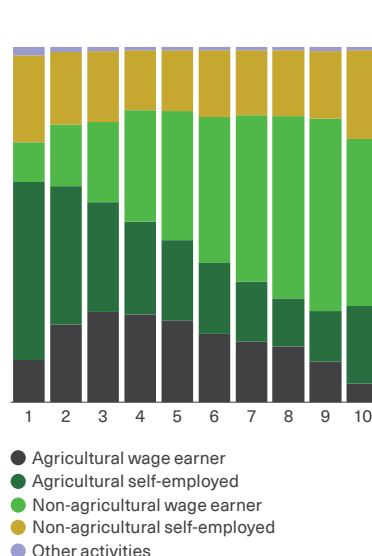
## Graph 7.5

Decomposition of household income by decile. Average for Latin America and the Caribbean, 2023

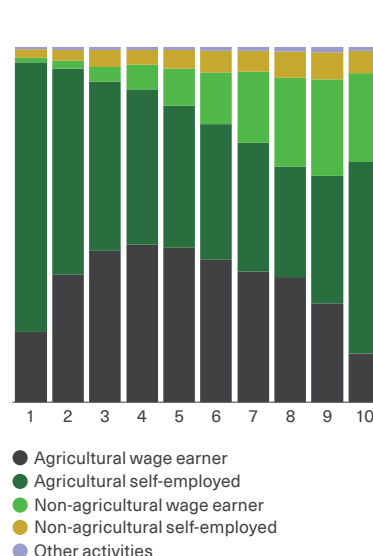
**Panel A.**  
Decomposition of total income  
among rural households



**Panel B.**  
Decomposition of labor income  
among rural households



**Panel C.**  
Decomposition of labor income  
among agricultural rural households



**Note:** The disaggregation corresponds to deciles of total household income calculated at the national level. On average across the 14 countries, the first four deciles include 53% of rural households, while the top four deciles account for only 26%. Labor income includes both monetary income (such as wages or self-employment earnings) and non-monetary income (such as self-consumption and in-kind remuneration). Agricultural household income is estimated as the sum of all labor income—both from primary and secondary occupations—of members whose main occupation is in the agricultural sector. Agricultural households are defined as those in which the head or spouse has their main occupation in the agricultural sector. Graph A.7.2 in the appendix to this chapter, available in the online edition of the RED, shows the breakdown for urban households.

**Source:** Authors, based on CEDLAS data (2025).

Overall, this analysis reveals distinct patterns by income level and by degree of connection to agricultural activity. Poorer rural households rely more heavily on public and private transfers, and most of their labor income is generated through self-employment. In contrast, as income rises, labor income sources become more diversified, and wage employment in non-agricultural sectors gains weight. These findings reflect different income-generation strategies and reveal varying levels of vulnerability to shocks.



**As household income rises, income sources become more diversified, and wage employment in non-agricultural sectors gains importance**

# The transformation of employment in rural areas

## Sectoral structure of employment

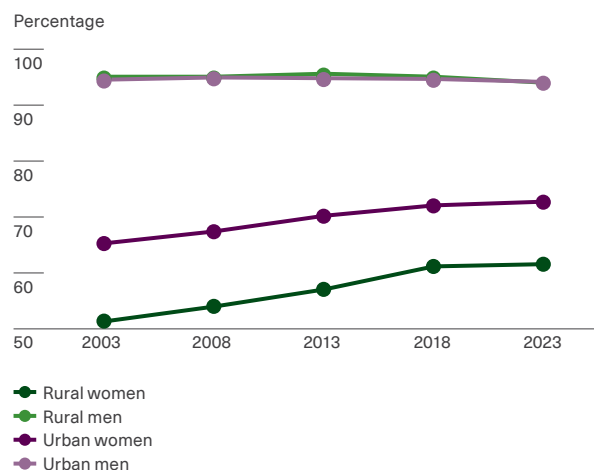
Before examining changes in employment structure, it is worth briefly considering trends in labor supply. Over the past two decades, labor force participation has increased in rural areas of LAC, but largely in step with urban areas, leaving the gap between them relatively unchanged. Between 2003 and 2023, the rural participation rate rose from 73% to 77%, consistently remaining about five percentage points below the urban rate. This increase was driven mainly by higher participation among rural women, which rose from 51% to 62%, as shown in Panel A

of Graph 7.6, although there are no clear signs of convergence with urban women. Gaps also persist along the intensive margin: in 2023, employed individuals in rural areas worked an average of two fewer hours per week than their urban counterparts, amid a slight but widespread reduction in working time, as shown in Panel B of Graph 7.6.<sup>10</sup> In short, despite progress in women's participation in the labor market, there have been no major shifts in labor supply that would have narrowed the structural divide between rural and urban areas.

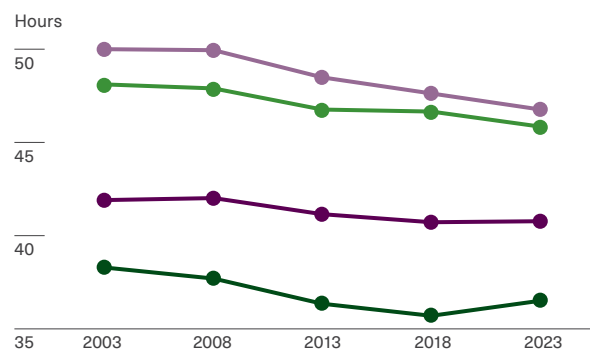
### Graph 7.6

Evolution of labor supply in rural and urban areas by gender. Average for Latin America and the Caribbean, 2003–2023

**Panel A.**  
Labor force participation



**Panel B.**  
Hours worked per week

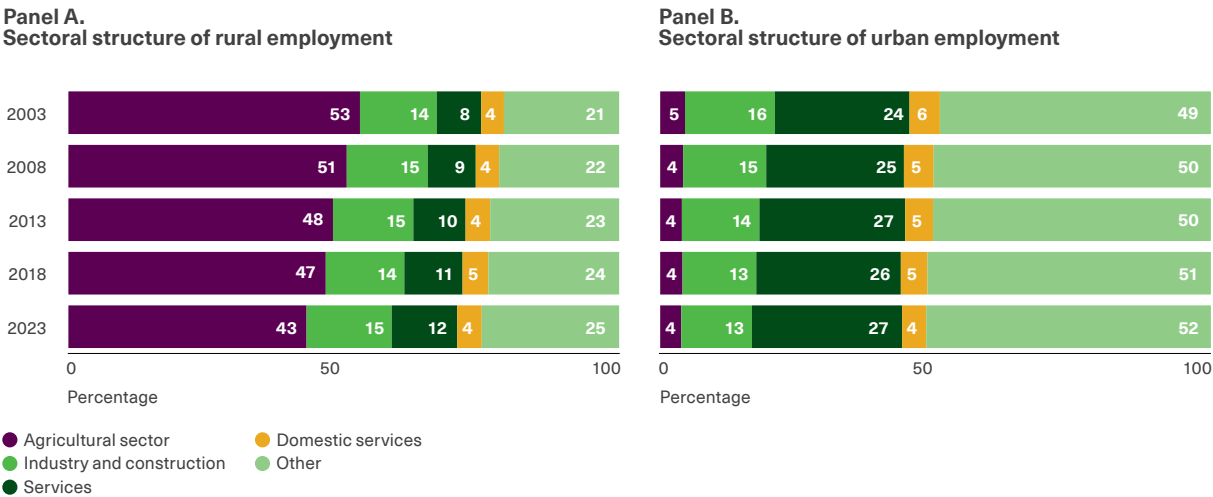


**Note:** Indicators are computed for the population aged 25–54.

**Source:** Authors, based on CEDLAS data (2025).

<sup>10</sup> Differences in hours worked should be interpreted with caution, since agricultural work is on average more physical and seasonal, which may reflect both supply-side constraints and variations in the demand for labor. On the other hand, these comparisons do not control for worker characteristics or sectors of employment. When the comparison is restricted to workers with the same level of education, the gap in weekly working time between rural and urban areas falls to just under one hour among people with medium and high education levels, but remains at two hours for those with low education levels.

**Graph 7.7**  
 Evolution of the sectoral structure of employment. Average for Latin America and the Caribbean, 2003–2023



**Note:** Indicators are calculated for the population aged 25–54. The *agricultural sector* includes agriculture, livestock, hunting, and forestry; *services* include professional, health, and education services; and *other* comprises fishing, mining and quarrying, trade, transport, and public administration. The primary sectors—fishing and mining and quarrying—represent a very small share of rural employment (1.6%) and are therefore included under *other*. Totals may differ slightly from 100% due to rounding.

**Source:** Authors, based on CEDLAS data (2025).

The most profound changes are observed in the structure of employment and in the forms of labor participation. In less developed economies, small rural producers account for the largest share of the rural population, devoting nearly all their working time to agricultural activities on their own land, with little or no access to external labor markets. With economic development, these households begin hiring labor or selling their work to other enterprises, gradually integrating into the broader labor market (Charlton et al., 2021; Taylor & Charlton, 2018). This phenomenon has long been recognized as a central feature of the development process: as early as 1954, Arthur Lewis (1954) identified the shift of workers from agriculture to more dynamic sectors as the core of economic growth, and Timmer (1988) later coined the term agricultural transformation to describe this structural evolution. Much of the change in rural labor markets in LAC reflects this transition,

though at a slower pace than in developed countries (see Chapter 1).

●●

**For the first time in the region, fewer than half of rural workers are employed in the agricultural sector—a decline of 10 percentage points since 2003**

Panel A of Graph 7.7 analyzes the economically active population aged 25–54 and shows that LAC has experienced a steady decline in agricultural employment over the past two decades, while the services sector has absorbed an increasing share of workers. For the first time in the region, fewer than half of rural workers are employed in agriculture—a



Tequila production in Mexico.

drop of 10 percentage points since 2003.<sup>11</sup> This shift has profoundly transformed the employment structure in rural areas, where agricultural activities have historically concentrated most jobs. By

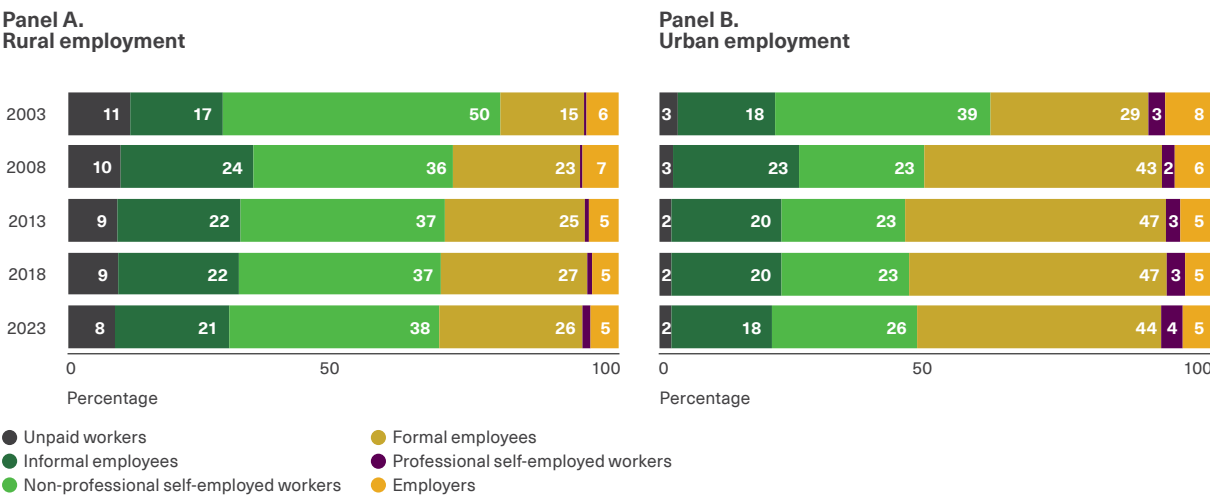
contrast, urban areas show no comparable change, as the transition toward a service-based economy occurred much earlier, and their labor markets are already more diversified.

## Labor relations and the decline in informal employment

Alongside changes in the sectoral structure of employment, the organization of work in rural areas has also undergone a transformation. Over the past two decades, there has been a decline in predominantly informal forms of employment—such

as low-skilled self-employment, unregistered wage work, and unpaid labor—and an expansion of more stable and regulated forms, such as registered wage employment (Jensen, 2022; La Porta & Shleifer, 2008, 2014; Schoar, 2010).

**Graph 7.8**  
Evolution of labor relations. Average for Latin America and the Caribbean, 2003–2023



**Note:** Indicators are calculated for the population aged 25–54. Totals may differ slightly from 100% due to rounding.  
**Source:** Authors, based on CEDLAS data (2025).

11 There are significant cross-country differences that reflect both levels of development and country-specific factors, when focusing exclusively on rural employment, a negative correlation is observed with GDP per capita (see Graph A.7.3 in the chapter appendix available in the online edition of the RED).

In rural areas of LAC, the share of wage employment has grown steadily, rising from 32% in 2003 to 47% in 2023 (Panel A of Graph 7.8), driven mainly by the expansion of registered, or formal, wage jobs. Conversely, the share of low-skilled self-employment fell from 50% to 38%, and unpaid work declined from 11% to 8%—the latter mostly corresponding to family workers, who, as discussed in the next section, are primarily women. Taken together, these shifts reflect an 11-percentage-point reduction in rural labor informality, from 78% in 2003 to 67% in 2023. Most of this decline took place during the first decade (2003–2013), followed by a period of deceleration and, in some cases, stagnation. Panel B of Graph 7.8 shows a similar pattern in urban areas, where labor informality dropped from 60% in 2003 to 47% in 2023.

As shown in Panel A of Graph 7.9, rural informality declined over the period in most countries, although to varying degrees and without a uniform pattern. In some cases, a partial reversal of this trend can be observed, likely linked to the effects of the COVID-19 pandemic. This is the case in Panama and Uruguay, where the steady decline in informality up to 2018 reversed over the following five years. Panel B of the same graph further shows that informality remains substantially higher in the agricultural sector than in other rural activities—a pattern observed consistently across nearly all countries. Thus, the decline in rural informality appears to be at least partly associated with structural change, as the shift of workers from agriculture to non-agricultural sectors seems to have contributed to formalization.

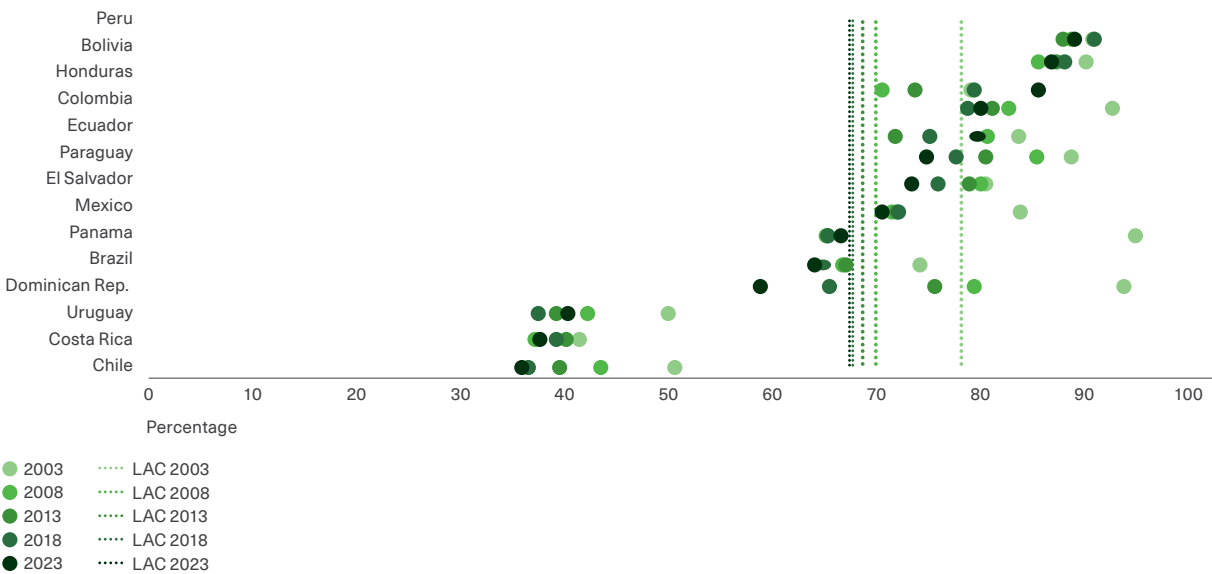


### **Informal employment remains significantly higher in rural areas, reaching 67% versus 47% in urban areas**

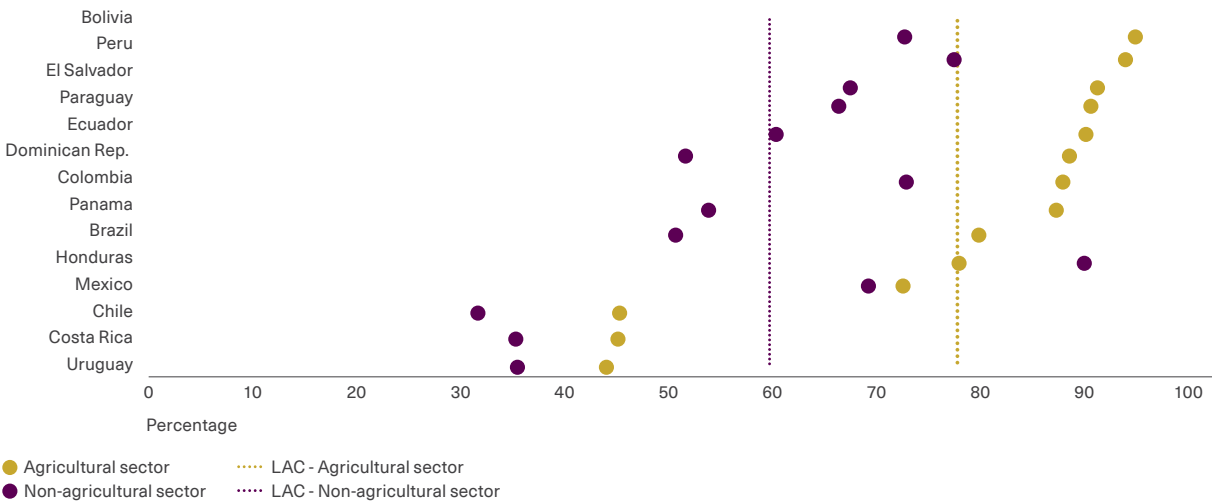
Despite these gains, labor informality remains significantly higher in rural areas: in 2023, it averaged 67%, 20 percentage points above the urban rate (47%). This persistence reflects structural barriers that limit access to formal employment for a substantial share of the rural population (Ulyssea, 2020). High levels of informality restrict access to social protection linked to registered employment (also known as contributory social protection) and to mechanisms that ensure job stability (Fields, 2004; Gasparini & Tornarolli, 2009; Maloney, 2004; Tornarolli et al., 2014), perpetuating vulnerability. The situation is even more critical among youth (ages 15–24) and older adults (over 55) in rural areas, whose informality rates reach 77%—about 10 percentage points higher than for the 25–54 age group.

Graph 7.9  
Rural labor informality in Latin American and Caribbean countries

Panel A.  
Evolution of informality, 2003–2023



Panel B.  
Informality in the agricultural sector versus other sectors, 2023



**Note:** Indicators are calculated for the population aged 25–54. The informality rate includes unregistered wage workers, non-professional self-employed workers, and unpaid workers.

**Source:** Authors, based on CEDLAS data (2025).

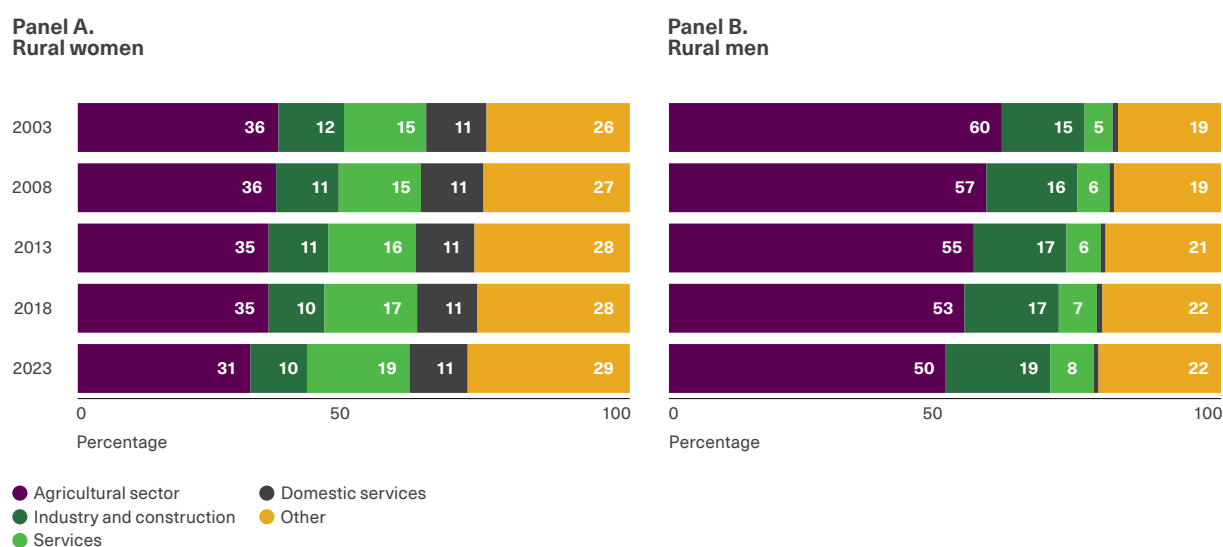
## Gender gaps in rural labor markets

The process of structural change in LAC countries is reshaping the employment situation of rural women relative to men (Marchionni et al., 2025). Graph 7.10 shows that participation in agricultural employment has declined among both men and women in the region. Women have mainly shifted toward the services sector (Panel A)—a

transition that may reflect the greater compatibility between service-sector activities and domestic responsibilities, as well as the expansion of traditionally female-dominated occupations such as education, health, and commerce. Rural men have also moved toward services, though primarily into industry and construction (Panel B).

**Graph 7.10**

Evolution of the sectoral structure of rural employment by gender. Average for Latin America and the Caribbean, 2003–2023



**Note:** Indicators are calculated for the population aged 25–54. The *agricultural sector* includes agriculture, livestock, hunting, and forestry; *services* include professional, health, and education services; and *other* comprises fishing, mining and quarrying, trade, transport, and public administration. The primary sectors—fishing and mining and quarrying—represent a very small share of rural employment (1.6%) and are therefore included under *other*. Totals may differ slightly from 100% due to rounding.

**Source:** Authors, based on CEDLAS data (2025).

These changes have also been accompanied by shifts in the forms of labor participation, as Graph 7.11 illustrates. Between 2003 and 2023, registered wage employment increased, while unpaid family work among women and self-employment among men declined. Although these changes indicate a modest reduction in informal employment arrangements—which

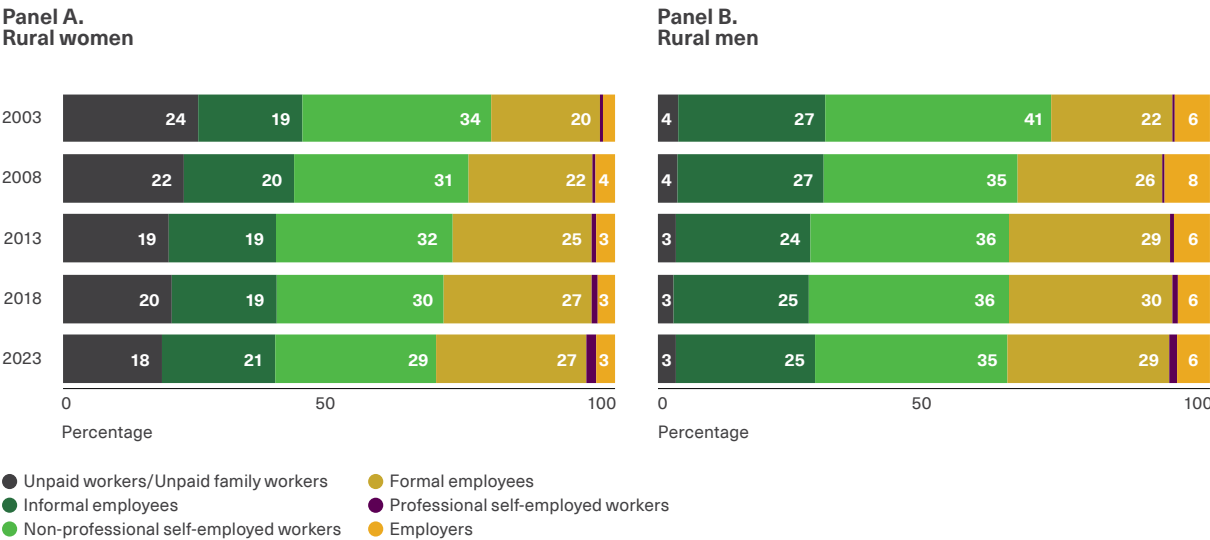
include unregistered wage work, low-skilled self-employment, and unpaid labor—informality in rural areas remains very high: in 2023, 68% of women and 63% of men in those areas were still engaged in informal employment. As Marchionni et al. (2025) note, this apparent parity conceals a deep inequality in the nature of employment between men and women: unpaid work accounts for 18% of

rural female employment, compared with only 3% among men.

Evidence shows that motherhood is one of the main determinants of gender gaps in LAC labor markets (Berniell et al., 2021, 2023; Marchionni & Pedrazzi, 2025). In rural settings, this pattern takes on distinctive characteristics. Marchionni et al. (2025) find that the birth of a first child significantly reduces women’s labor supply—both in participation and hours worked. Motherhood also leads to a shift toward more precarious forms of employment, particularly in the primary sector

and informal jobs, as shown in Graph 7.12. In the latter case, all three forms of informality increase—unregistered wage work, self-employment, and unpaid labor—with the latter rising more sharply in rural than in urban areas (Panel B). Before motherhood, 23% of employed rural women already worked without pay, compared with only 3% in urban areas, and this share rises further after the birth of the first child. This dynamic limits rural women’s ability to fully benefit from the opportunities generated by structural transformation, deepening preexisting inequalities.

**Graph 7.11**  
Evolution of labor relations by gender. Average for Latin America and the Caribbean, 2003–2023

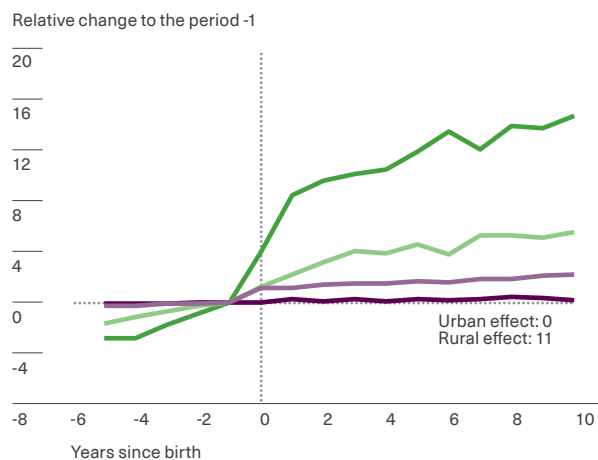


**Note:** Indicators are calculated for the population aged 25–54. Totals may differ slightly from 100% due to rounding.  
**Source:** Authors, based on CEDLAS data (2025).

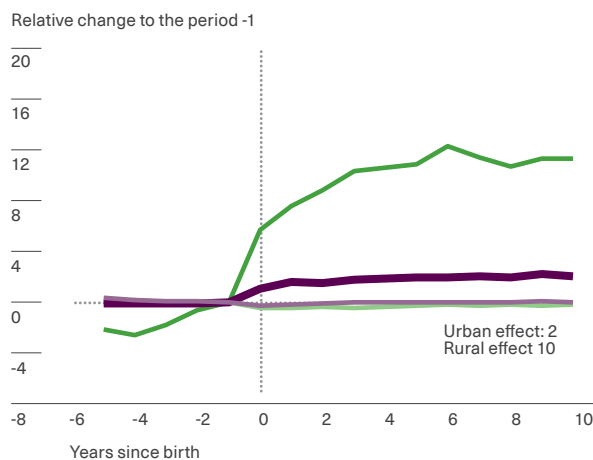
## Graph 7.12

Effect of the first child on the likelihood of different types of employment in rural and urban areas of Latin America and the Caribbean

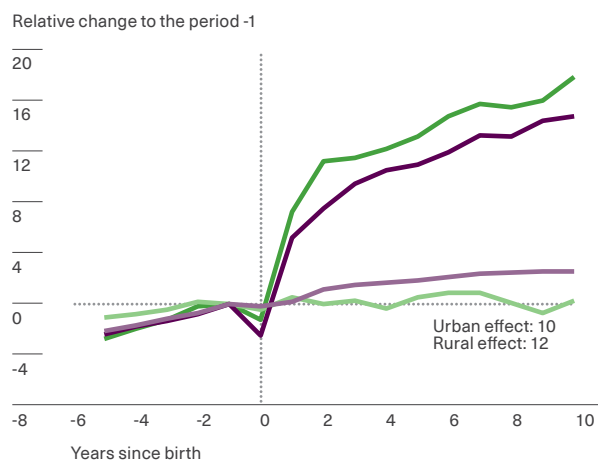
**Panel A.**  
Employment in the primary sector



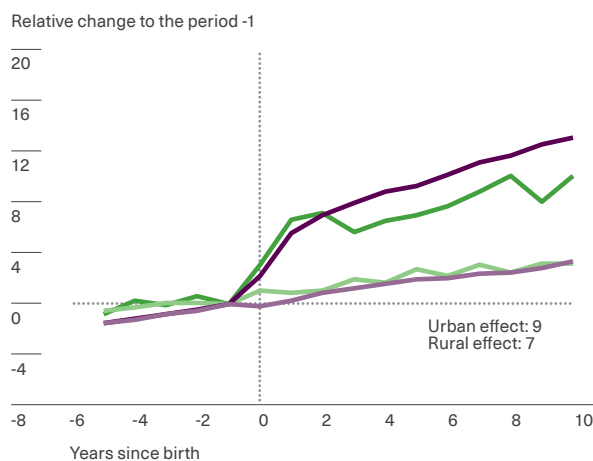
**Panel B.**  
Unpaid employment



**Panel C.**  
Unregistered wage employment



**Panel D.**  
Non-professional self-employment



— Rural women  
— Rural men  
— Urban women  
— Urban men

**Note:** The lines show the change (measured in percentage points) in each of the indicators over time relative to the base period (corresponding to the year prior to the birth of the first child). The primary sector includes agriculture, livestock, hunting, forestry, fishing, and mining.

**Source:** Marchionni et al. (2025, Figure 8).



**A marked gender inequality persists in the type of labor participation: 18% of rural women work without pay, compared with 3% of men. Motherhood widens this gap**

Using time-use data from Mexico, Marchionni et al. (2025) provide complementary evidence showing how domestic workloads constrain the economic autonomy of rural women. Although childcare demands are high, the rural–urban

gap in this area is small. However, rural mothers devote considerably more time than their urban counterparts to household chores, subsistence production, and tasks such as collecting water. These responsibilities—together with limited access to labor-saving technologies and external household services—reduce the time available for paid work. This suggests that the persistence of rural–urban gaps in women's employment reflects not only labor market segmentation but also unequal time burdens within the household, which continue to fall disproportionately on rural women.

## **Wages in rural areas**

Hourly labor income has trended upward across the region. In rural areas, the average wage increased by 44% over the past two decades. Despite this progress, the rural–urban gap remains: in 2023, rural wages were on average 34% lower than urban wages. This gap can be attributed to both supply-side factors (workers' characteristics) and demand-side factors (firms' characteristics). Graph 7.13 illustrates the contribution of these different factors.

On the firm side, wage gaps may arise from a greater concentration of low-productivity sectors in rural areas, particularly small-scale agricultural units (Loayza & Rigolini, 2016). Indeed, hourly wages—which include both monetary and non-monetary remuneration and cover both wage employment and self-employment—show clear differences across worker types. Urban non-agricultural workers earn the highest incomes, with an average hourly wage of USD 6, followed by rural non-agricultural workers (USD 4.8), urban agricultural workers (USD 3.6), and rural agricultural workers (USD 3.3). This ranking reveals a double wage penalty associated with both working in agriculture and residing in rural areas. The gap between the two extremes is substantial: rural agricultural workers earn, on average, 46%

less per hour than their urban non-agricultural counterparts (bar 2 in Graph 7.13).

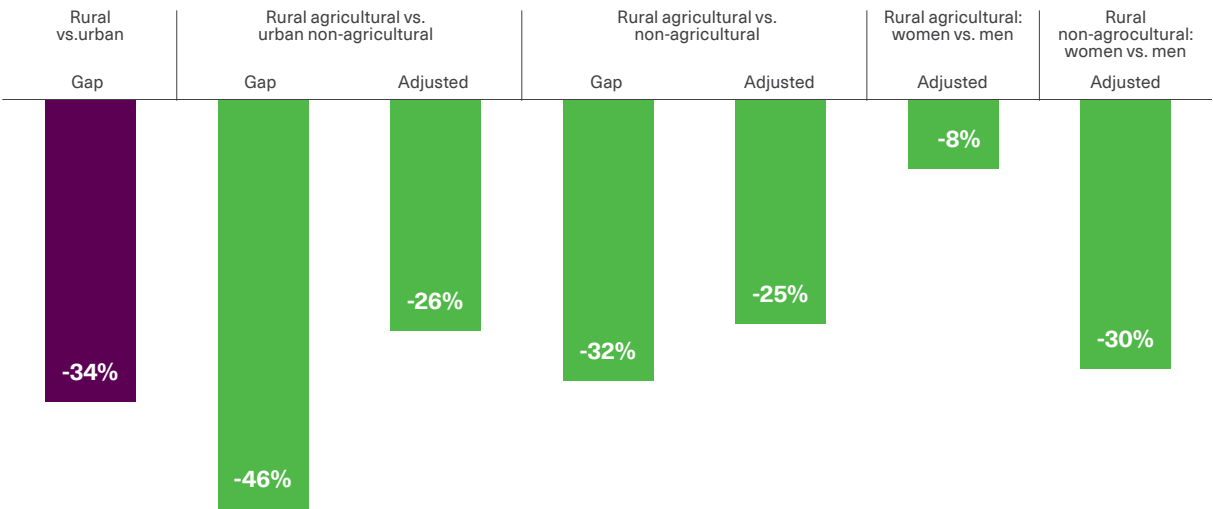
These wage gaps also reflect supply-side factors in the labor market. As documented in Chapter 6, rural areas lag behind urban ones in human capital. Accordingly, wage gaps narrow when worker characteristics such as age, gender, and education are held constant. In fact, the wage gap between rural agricultural and urban non-agricultural workers shrinks from 46% to 26% (bars 2 and 3 in Graph 7.13), confirming that much of this disadvantage is explained by observable worker characteristics. In contrast, the gap between agricultural and non-agricultural workers within rural areas changes little after controlling for these characteristics, falling only from 32% to 25% (bars 4 and 5). Similarly, rural women working in agriculture earn 8% less per hour than their male counterparts, while the gender wage gap widens to 30% among rural workers outside agriculture (bars 6 and 7).<sup>12</sup>

<sup>12</sup> Individuals without wages are excluded from the sample used to estimate the Mincer equations. Therefore, the wage gap between rural women and men—particularly in the agricultural sector (bar six in Graph 7.13)—masks another, deeper inequality discussed earlier: the high incidence of unpaid employment among female agricultural workers.



Training-of-trainers program for women miners supported by CAF in Bolivia.

**Graph 7.13**  
 Wage gaps. Average for Latin America and the Caribbean, 2023



**Note:** Wage gaps are estimated using Mincer equations for individuals aged 25–54, with the logarithm of hourly wages as the dependent variable. The baseline model includes only a rural dummy and yields the unadjusted rural–urban gap (bar 1). Additional variables are then introduced for the productive sector (agriculture vs. non-agriculture) and its interaction with rurality, allowing estimation of wage gaps between rural agricultural and urban non-agricultural workers (bar 2), and between rural agricultural and rural non-agricultural workers (bar 4). Conditional gaps (bars 3 and 5) are obtained by adding controls for education, age, and gender. A third model, estimated only for rural workers, includes a binary variable for agricultural employment, a gender indicator, and their interaction, along with education and age controls, to estimate gender wage gaps (bars 6 and 7).

**Source:** Authors, based on CEDLAS data (2025).

The averages shown in Graph 7.13 mask significant cross-country heterogeneity. Graph 7.14 depicts the relationship between GDP per capita—used as a proxy for the level of development and progress in structural transformation—and average wages in urban (Panel A) and rural (Panel B) areas of each country. It also shows the relationship between GDP per capita and average rural agricultural wages (Panel C) and rural non-agricultural wages (Panel D). Multiple years are included for each country, allowing for temporal analysis.

Hourly wages display a clear positive relationship with GDP per capita, which becomes more pronounced at higher levels of development. This positive and convex relationship—less evident in rural areas (Panel B) and particularly in the agricultural sector (Panel C)—may reflect lower returns to human capital (see Box 7.3), although other mechanisms may also be at play. For instance, recent studies highlight that firms’ wage-setting

power tends to increase with market concentration (Card, 2022; Manning, 2021). This mechanism could be especially relevant as agriculture evolves through the development process: as self-employment declines, mechanization and large-scale production drive greater concentration among fewer companies, strengthening their ability to set wages. In this context, the shift from agricultural to wage-based employment may be accompanied by labor market dynamics that limit the transmission of productivity gains to wages.

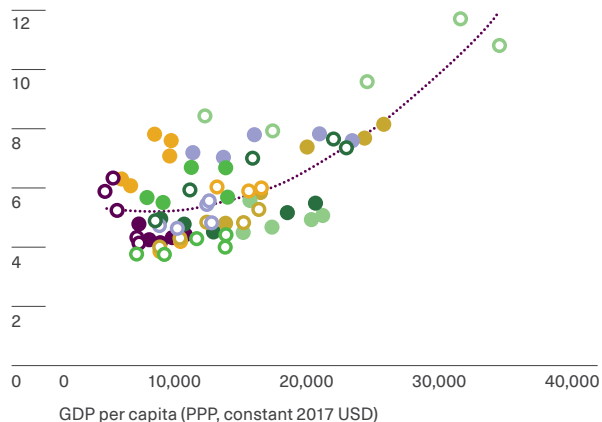
● ●  
**The shift from agricultural employment toward more wage-based forms may be accompanied by labor market dynamics that limit the transmission of productivity gains to wages**

## Graph 7.14

Relationship between wages and GDP per capita in Latin American and Caribbean countries, 2003–2023

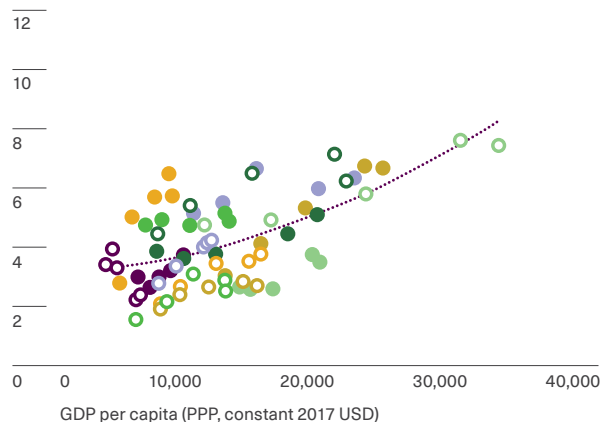
### Panel A. Urban wage

Urban wage (PPP, constant 2017 USD)



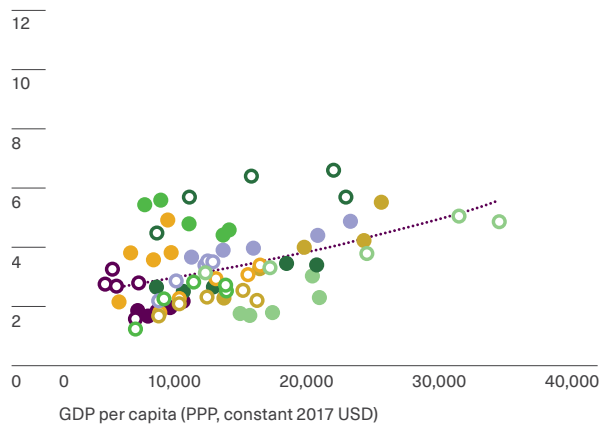
### Panel B. Rural wage

Rural wage (PPP, constant 2017 USD)



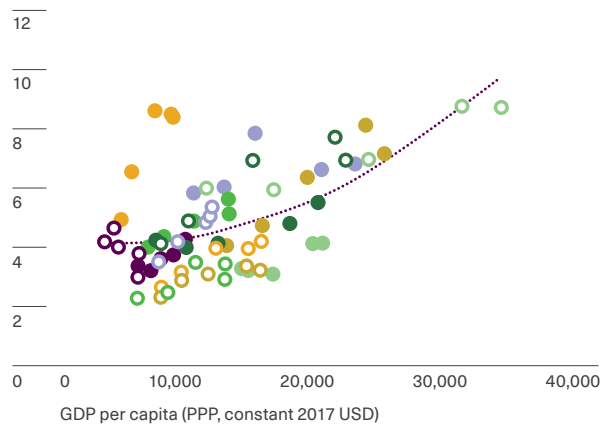
### Panel C. Rural agricultural wage

Rural agricultural wage (PPP, constant 2017 USD)



### Panel D. Rural non-agricultural wage

Rural non-agricultural wage (PPP, constant 2017 USD)



**Note:** Indicators are calculated for the population aged 25–54.

**Source:** Authors, based on CEDLAS (2025) and World Bank (2025h) data.

## Box 7.3

### The role of returns to education

Human capital moderates some of the contrasts between rural and urban labor markets. For instance, in 2023, labor force participation in rural areas exceeded that of urban areas by nearly six percentage points among people with low education, but the difference narrowed to just under two points among those with completed higher education. A similar pattern is observed for informality: in rural areas, it declines from 77% to 13% when moving from the least to the most educated, while the rural–urban gap narrows from nine to two percentage points.

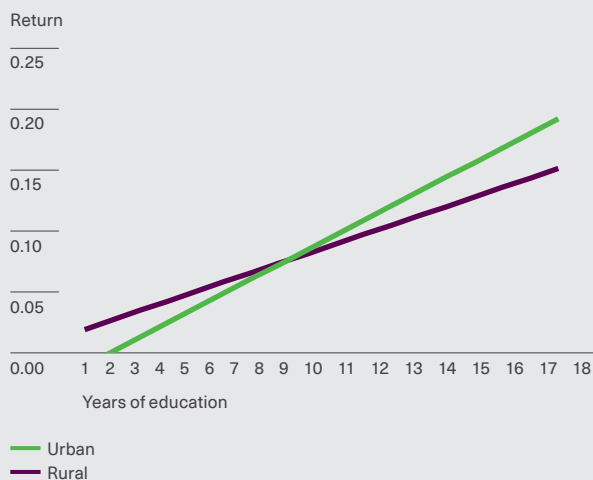
However, when it comes to earnings, human capital—rather than narrowing differences—tends to amplify them. Graph 1 shows that returns to education increase more rapidly in urban than in rural areas, meaning that income disparities between the two widen as education levels rise. Within rural areas, this divergence originates in the agricultural sector: there, returns are nearly flat and remain low even among those with higher education, while they rise much more sharply in the non-agricultural sector.

This suggests that urban labor markets and rural non-agricultural sectors concentrate higher-productivity activities with greater capacity to absorb and reward human capital. By contrast, in the agricultural sector, structural constraints limit the ability to translate formal education into higher productivity, while other factors—such as employers’ market power—may also help explain the low returns observed.

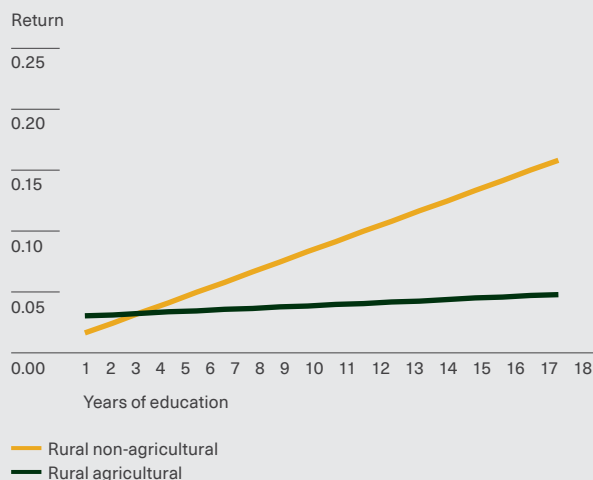
#### Graph 1

Returns to years of education. Average for Latin America and the Caribbean, 2023

**Panel A.**  
Urbano vs. rural



**Panel B.**  
Rural agricultural vs. rural non-agricultural



**Note:** Results are based on regressions estimated for individuals aged 25–54, where the logarithm of wages is explained by years of education and its squared term, controlling for age and gender. In Panel A, the model includes a rural area indicator and its interactions with both education and squared education. In Panel B, the sample is restricted to rural workers, and the model includes an indicator for employment in the agricultural sector, together with the corresponding interaction terms.

**Source:** Authors, based on CEDLAS data (2025).

## Non-monetary labor income

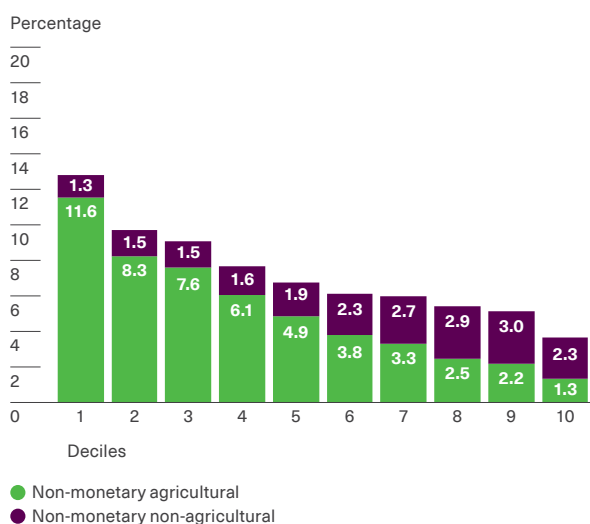
In rural households across LAC, non-monetary income—such as self-consumption and in-kind remuneration—constitutes a relevant source of resources, particularly among households linked to agriculture.<sup>13</sup> As shown in Panel A of Graph 7.3, non-monetary income accounts for an average of

4% of total income in rural households—twice the share observed in urban ones—and rises to 6% among agricultural and independent agricultural households. Its relative weight is greater among households in the lowest income deciles, especially when measured in relation to labor income.<sup>14</sup>

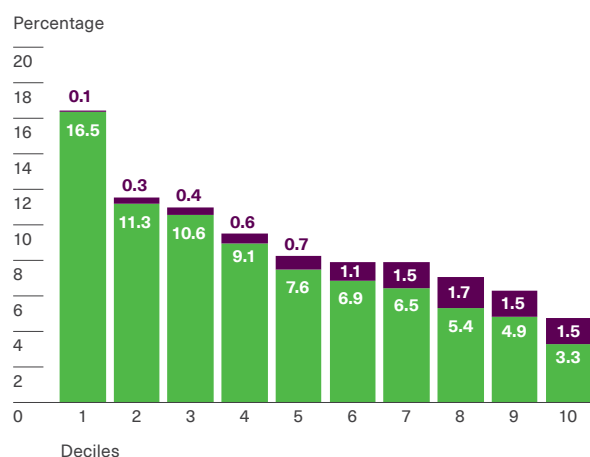
**Graph 7.15**

Share of non-monetary labor income within labor income by decile. Average for Latin America and the Caribbean, 2023

**Panel A.**  
Rural households



**Panel B.**  
Rural agricultural households



**Note:** Data are disaggregated by deciles of total household income calculated at the national level. On average across the 14 countries, the first four deciles include 53% of rural households, while the top four deciles account for only 26%. Agricultural households are defined as those in which the head or spouse reports their main occupation in the agricultural sector. Non-monetary income includes the value of self-consumption and in-kind payments.

**Source:** Authors, based on CEDLAS data (2025).

<sup>13</sup> Household surveys and the CEDLAS database (2025) make a systematic effort to impute non-monetary income. The measurement of such income—derives from different types of employment relationships (employers, wage earners, self-employed workers, or other forms of work). However, current estimates may still be slightly underestimated, as in some countries this income is not fully captured.

<sup>14</sup> Graph 7.A.4 in the appendix to this chapter, available in the online edition of the RED, shows significant variation across LAC in the relative weight of non-monetary income among the most vulnerable households. Peru and Ecuador stand out as the countries where this type of income is a key source of earnings for the poorest rural households—well above levels observed in the rest of the region.

Graph 7.15 shows the share of non-monetary income within total labor income by household income decile. Among rural households, this share reaches 13% and 9% in deciles 1 and 2, respectively (Panel A), while in rural agricultural households it rises to 17% and 11% in the same deciles (Panel B). Agricultural non-monetary components outweigh non-agricultural ones, except in the upper income deciles (Panel A). In rural agricultural households (Panel B), agricultural components continue to account for a large share across all deciles.

The CEDLAS database (2025) does not distinguish between self-consumption and in-kind payments within non-monetary income. However, analysis of Peru's National Household Survey (ENAHO) and Mexico's National Survey of Household Income and

Expenditure (ENIGH) shows that self-consumption is the main component, representing about 85% of this type of income in both countries. These findings indicate that many vulnerable rural households—and particularly women within them (Marchionni et al., 2025)—dedicate a substantial portion of their time to subsistence production.



**Among the most vulnerable rural households, subsistence production occupies a significant share of time and accounts for about 15% of labor income among the poorest agricultural households**

## Employment and income among rural Indigenous people

Indigenous peoples are a particularly relevant group within rural areas, as shown in Chapter 6, where it was noted that they are overrepresented in these territories. They are also among the most vulnerable groups, facing higher rates of poverty and deprivation than the rest of the rural population—partly due to their more limited and precarious integration into labor markets.

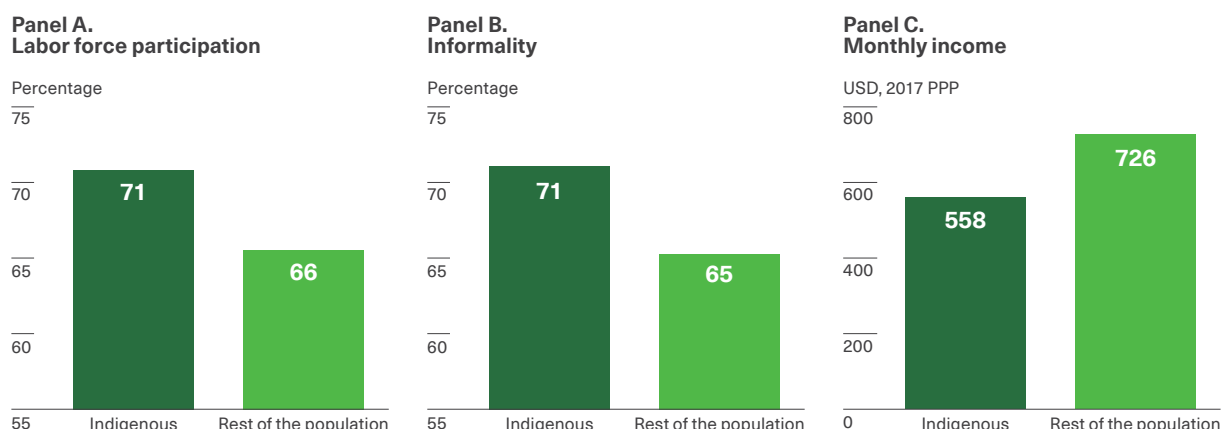
In 2023, labor force participation among Indigenous peoples exceeded that of the rest of the rural population (Panel A of Graph 7.16). However, this apparent advantage in participation does not translate into better opportunities: 71% of rural Indigenous workers aged 25–54 are employed under informal conditions—six percentage points above the incidence of informality among the rest of the rural population (65%) (Panel B). This overrepresentation in informal employment reflects both human capital gaps and structural barriers, as well as persistent forms of discrimination in labor markets (De la Mata et al., 2022). The disadvantage is also evident in income levels: as shown in Panel C of Graph 7.16, rural Indigenous workers earn, on average, substantially lower monthly incomes than their non-Indigenous rural counterparts.

The clear disadvantage of rural Indigenous peoples in terms of job quality and income is closely tied to their greater dependence on agriculture and subsistence production. The case of Peru illustrates this point well. According to the 2024 ENAHO survey, 55% of rural households identify as Indigenous (whether the head or spouse). Among them, 91% are agricultural households, and 86% of these are independent agricultural households. By contrast, among non-Indigenous rural households, 87% are agricultural and 75% are independent agricultural.

Indigenous households engaged independently in agriculture operate, on average, larger plots of land than their non-Indigenous counterparts (8.13 hectares versus 2.75), although they are less frequently owners or tenants. They also show greater reliance on self-consumption, which represents 18% of their total income compared with 16% among non-Indigenous households. While this production ensures a basic subsistence level, it also increases these households' exposure to productive and climate-related shocks, reinforcing the income disadvantages described above.

### Graph 7.16

Labor indicators for Indigenous peoples in rural areas. Average for Latin America and the Caribbean, 2023



**Note:** Simple average based on six countries: Brazil, Chile, Ecuador, Mexico, Peru, and Uruguay. The comparison group includes White and mestizo populations, among others, but excludes Afro-descendants. Indicators are computed for individuals aged 25–54. Income is estimated in purchasing power parity (PPP) dollars.

**Source:** Authors, based on CEDLAS data (2025).

## Public policies for employment and social protection in rural areas

Although rural poverty has declined over the past two decades, household vulnerability—especially among agricultural and independent households—remains high. Labor informality persists, income sources remain poorly diversified, and gender

and ethnic gaps continue to be significant. In this context, public policies should focus on reducing vulnerability and fostering comprehensive social and productive inclusion.

### Social protection policies

#### Income transfers

Strengthening income protection policies is a key priority for improving the living conditions of rural households. Over the past three decades,

income-support programs have expanded and consolidated across LAC, becoming a core component of social protection systems (Álvarez et al., 2025; Cecchini & Atuesta, 2017; Stampini et al., 2025).



Artisanal fishing in Monteverde, Ecuador.

One of the main tools has been conditional cash transfer programs, currently in place in 19 countries in the region (ECLAC, 2025a). Conditionalities are typically linked to school attendance and health checkups and, by promoting the accumulation of human capital among children and youth, aim to break the intergenerational transmission of poverty (De la Mata et al., 2022).



**Although income transfers could in theory discourage labor participation, evidence indicates that this effect is limited and, in some rural contexts, even reversed**

Between 2003 and 2023, public transfers—including conditional cash transfers—rose from an average of 1.3% to 4.3% of total rural household income in the region.<sup>15</sup> The fastest growth occurred between 2003 and 2013. As expected, the relative importance of these transfers is higher among the lowest income deciles, reaching 24% for households in the first decile and 14% for those in the second, as shown in Panel A of Graph 7.5. A counterfactual exercise comparing the observed poverty rate with a hypothetical rate that excludes public transfers from household income shows that, without these transfers, rural poverty would have been 3.3 percentage points higher.<sup>16</sup>

Extensive evidence from impact evaluations across the region underscores the importance of conditional transfers in reducing structural rural vulnerability by improving education and child health outcomes (Barham et al., 2024;

Cecchini et al., 2021; Laguinde et al., 2025; Millán et al., 2019; Parker & Vogl, 2023; Stampini et al., 2025). An unintended effect of such programs is the disincentive they may generate for labor participation or formal employment. Nonetheless, evidence from developing countries largely indicates that their impacts on labor supply are limited (Banerjee et al., 2017). Research in rural areas of Latin America and the Caribbean supports this conclusion, and in some cases, even points in the opposite direction. In Bolivia, for instance, Vera-Cossio (2022) finds that receiving the Bono Juancito Pinto—the country's flagship conditional cash transfer program—increased labor participation among household heads and their spouses. In Mexico, additional positive effects have been observed, such as greater incentives for productive investment among rural households (Gertler et al., 2012) and higher levels of financial inclusion (Masino & Niño-Zarazúa, 2020).

### **Non-contributory pensions**

Another key pillar of income-support policies is non-contributory pensions. A significant share of the population reaches old age without meeting the requirements for contributory pensions, leaving them in a situation of economic vulnerability (Álvarez et al., 2020). This problem particularly affects women and Indigenous peoples, given their lower participation in formal employment, as discussed earlier. A counterfactual exercise comparing the observed poverty rate with the hypothetical rate that would result from excluding non-contributory pensions from household income shows that these programs also play a significant role in reducing rural poverty: without them, the

15 Government transfers include conditional transfers, in-kind transfers, and other current non-contributory social transfers (such as family allowances and non-contributory unemployment benefits) and exclude pensions.

16 This exercise is purely descriptive: it assumes that household behavior remains unchanged after the removal of transfers and therefore should not be interpreted as the causal effect of transfer programs. Graph A.7.5 and Table A.7.1 in the chapter appendix, available in the online edition of the RED, present these results for the LAC average and for each country, distinguishing between rural and urban areas. The contribution of transfers to reducing rural poverty in Brazil is high, both in absolute terms (percentage points) and in relative terms (percentage variation). In Chile and Uruguay, although the absolute changes are small, the relative variation is significant. In the remaining countries, the contribution ranges from moderate (Colombia, Costa Rica, Ecuador, Mexico, Panama, and the Dominican Republic) to low (Bolivia, El Salvador, Honduras, Paraguay, and Peru). In some countries, the contribution is smaller in rural than in urban areas.

poverty rate in rural areas would be 2.5 percentage points higher on average.<sup>17</sup>

Impact evaluations indicate that non-contributory pensions have improved the well-being of rural populations, particularly by reducing extreme poverty. In Mexico, the 70 y Más (Spanish for 70 and Over) Program has shown particularly strong effects in rural areas and among Indigenous peoples (Ávila Parra et al., 2024). Likewise, studies in Paraguay (Bando et al., 2020) and in Mexico (Galiani et al., 2016) report improvements in the health of older adults living in rural areas. Bottan et al. (2021) analyzed the role of a near-universal non-contributory pension program in Bolivia during the COVID-19 pandemic. Their findings highlight the insurance function of these transfers and their effectiveness in strengthening financial resilience and reducing food insecurity among poor and vulnerable households alike.

Non-contributory pensions also allow older adults to withdraw—at least partially—from productive activities. In Mexico, Juárez and Pfutze (2015) find that pensions for individuals aged 70 and older reduced labor supply among men but not among women. Notably, the same study shows that these transfers do not discourage labor participation among working-age household members living with beneficiaries and, moreover, help young people aged 15–17 reduce their labor participation, thereby extending their time in education. In Bolivia, Canelas & Niño-Zarazúa (2022) find that the Renta Dignidad program had no negative effects on adult labor participation in beneficiary households. Finally, in Brazil, the expansion of non-contributory pensions for women during the 1990s had positive effects on female labor participation (Khanna et al., 2025).

## Challenges in strengthening income-support policies

Significant challenges remain regarding coverage, sufficiency, and targeting of income-support policies. There are multiple reasons why these programs still fail to reach all poor households (Banerjee et al., 2024). Many programs still lack sufficient scale. Moreover, targeting and beneficiary selection mechanisms often have limitations that lead both to the exclusion of poor households and the inclusion of non-poor ones. Some poor households are particularly difficult to reach due to structural barriers such as geographical isolation, limited access to basic services (required to comply with conditionalities in the case of conditional cash transfers), lack of information, or distrust in public institutions (Robles et al., 2019). These structural barriers tend to be higher among Indigenous peoples, as documented by Bauchet et. al (2018) in the case of Bolivia.

An additional challenge relates to the adequacy of benefits, which are not always sufficient to lift households above the poverty line—thereby limiting the overall impact of these policies. In the absence of sufficient and effective income protection, rural families continue to rely heavily on private transfers (remittances, family support, or community networks), which remain a cornerstone of their livelihood strategies, as discussed in Box 7.4.

<sup>17</sup> Table A.7.1 in the chapter appendix, available in the online edition of the RED, presents the results of this exercise for each country.

## Box 7.4

### Private transfers

Private transfers—especially remittances—play an important role in the economies of LAC, particularly for the most vulnerable households (Vacaflares, 2018). According to CEDLAS (2025), these transfers account for an average of 16% of household income in the bottom three deciles, slightly below the share observed in urban areas (20%).

Private transfers act as self-insurance mechanisms against shocks, compensating for the lack of public protection and limited access to credit. In the case of Mexico, Amuedo-Dorantes and Juárez (2015) show that the receipt of non-contributory pensions substitutes private transfers.

These transfers also help reduce vulnerability, improve education and access to healthcare (Askarov & Doucouliagos, 2020; Edwards & Ureta, 2003), and influence households' labor participation and productive decisions (Adams & Cuecuecha, 2010; Amuedo-Dorantes & Pozo, 2006).

There is also a strong link between financial inclusion and the receipt of private transfers. The barriers to financial inclusion faced by rural households—discussed in Chapter 8—can limit their ability to receive resources from family members who migrate to other regions or countries (IFAD & World Bank, 2015).

### In-kind transfers

Within the broader set of income-support policies, in-kind transfers—such as the direct distribution of food—offer certain advantages over cash transfers. On the one hand, they help improve nutrition, as households tend to consume the goods received, thereby increasing their intake of calories and micronutrients (Cunha, 2014; Leroy et al., 2010). On the other, they can have positive spillover effects on local markets: in remote areas, they lower the prices of basic goods for the entire population, not just for beneficiaries (Cunha et al., 2019). This is because, in contexts with limited market access and low competition among suppliers, direct public provision introduces competition, as shown by Michelson et al. (2012) and Jiménez Hernández and Seira (2022).

### Productive social protection policies

A broader approach to social protection recognizes that, in order for people living in poverty to overcome this condition, protection measures must be integrated with strategies for economic inclusion. Experiences across the region are diverse, and their results have been mixed.

On the one hand, there is encouraging evidence on the effectiveness of programs that transfer productive assets—particularly when combined with enabling components such as training and technical assistance. These programs have shown positive impacts, especially among women (Bandiera et al., 2017; Banerjee et al., 2015, 2024). The literature highlights that overcoming one of the main constraints—limited access to assets—is a decisive step toward breaking poverty traps.

On the other hand, numerous initiatives have sought to promote entrepreneurship among poor rural households. However, the evidence calls for caution: business development programs have shown mixed and hard-to-generalize results. For example, Carter et al. (2019) find positive effects from Nicaragua's Rural Development Program, though these are significantly smaller among the poorest households.<sup>18</sup> This suggests that not everyone is equally equipped to succeed as an entrepreneur, since doing so requires specific skills that must be developed or previously attained. (Sanguinetti et al., 2013). In the agricultural sector, inadequate program design can even reinforce structural issues such

as low productivity and small-scale operations—particularly among subsistence family farms (as discussed in Chapters 2 and 3)—and discourage the transition toward more productive sectors.



**Rural entrepreneurship is not always a pathway to inclusion: its outcomes are uneven and, without sound design, it can reinforce existing inequalities**

## Labor regulations

Union organization and collective bargaining can improve labor conditions in rural areas, but their impact has been limited in practice. Geographic dispersion, subcontracting, and informality weaken the direct relationship between employers and workers, making both unionization and effective collective bargaining more difficult (Weller et. al, 2016).

A notable case is Uruguay, where significant progress has been made in institutionalizing rural collective bargaining. Unlike in other countries, Uruguay's agricultural sector experienced an early expansion of wage employment (Riella & Mascheroni, 2019). In 2023, wage earners accounted for 51% of agricultural employment, and 90% of them were formally registered, the highest proportion in the region.

Since 2005, rural collective bargaining mechanisms have been implemented with the participation of workers, employers, and the state. These have made it possible to establish the eight-hour workday and limit outsourcing, thereby improving working

conditions in the sector. Although no rigorous impact evaluations are available, the evidence suggests improvements in minimum wages and a reduction in working hours.

At the same time, labor regulation in rural areas also faces the challenge of child labor, which remains more prevalent in agriculture than in other economic sectors. The ILO (2021) estimates that nearly 50% of all child labor in LAC occurs in the agricultural sector, often under hazardous conditions or in ways that interfere with school attendance. While several countries have strengthened legal frameworks and labor inspection systems to prevent and penalize child labor, geographic dispersion and high levels of informality continue to limit their effectiveness.

<sup>18</sup> Small producers were required to present a business plan and received technical and financial training, as well as inputs consistent with their individual plan. They also had access to co-financing benefits, such as partial subsidies for improved agricultural inputs and cost-sharing arrangements for individually or cooperatively owned equipment or facilities.

## Active labor market policies

Strengthening active labor market policies can help reduce the frictions that limit access to quality jobs in rural areas, where geographic dispersion and high informality make both finding work and recruiting qualified candidates more difficult.

Several instruments can help ease these frictions, including job boards, employment assistance, internship programs, training initiatives, and skills certification. Evidence highlights the strong potential of such interventions in developing countries—particularly when they focus on young people and vulnerable populations (Berniell & de la Mata, 2017; Carranza & McKenzie, 2024; Escudero et al., 2019; Ibararán et al., 2019; Le Barbanchon et al., 2023; Novella & Valencia, 2022). However, Maïga et al. (2020) emphasize the need for further evidence on the impact of agricultural skills-development programs for youth.

In LAC, these policies can be strengthened by linking them with sectors that have high potential for rural employment diversification, such as agri-food value chains (Berdegúe et al., 2025), both in the primary sector and its downstream linkages, rural services, and other strategic sectors (tourism, fishing, mining, and forestry), as discussed in previous chapters. Promoting “green jobs,” many of

which are located in rural areas, is also particularly relevant in the context of the energy transition and ongoing efforts to reduce greenhouse gas (GHG) emissions (Allub et al., 2024).<sup>19</sup> One example is the initiatives of several local governments that use transfer programs to promote ecosystem restoration as a form of productive social protection for small-scale farmers during the periods between harvests.



**Active labor market policies can be strengthened by linking them with sectors that have high potential for rural employment diversification**

Within this framework, training and reskilling programs are essential to align the workforce with new market demands. These sectors offer valuable opportunities to raise incomes and diversify rural employment, but taking advantage of them often requires retooling workers' skills. Evidence from the region shows that classroom-based, on-the-job, and blended training schemes have had positive effects (Escudero et al., 2019).

## Postsecondary education

Within the strategies to promote rural employment diversification, expanding access to postsecondary education is particularly important, as such access remains very limited in rural settings. The strategic expansion of public institutions and short-cycle training programs—such as technical degrees, technological programs, or professional

certifications—has shown strong potential to increase enrollment in geographically underserved areas (Bassi et al., 2021; Ferreyra, 2017). However, this type of educational offering remains scarce in most countries of the region, with Colombia standing out as a notable exception (Ferreyra et al., 2022).

<sup>19</sup> The International Labour Organization (ILO) defines green jobs as “decent jobs that contribute to preserve or restore the environment, be they in traditional sectors such as manufacturing and construction, or in new, emerging green sectors such as renewable energy and energy efficiency.” Green jobs help improve energy and resource efficiency, reduce GHG emissions, minimize waste and pollution, protect and restore ecosystems, and support climate adaptation.

Ensuring the relevance of postsecondary education is essential and calls for forward-looking labor demand analyses tailored to local contexts. For instance, strengthening educational offerings to prepare the workforce for the emerging demands of green jobs represents a major opportunity—one that should be assessed in each region according to its productive and environmental characteristics. Technical training in fields such as renewable energy, natural resource management,

energy efficiency, and information technologies applied to agricultural production offers a strategic pathway for aligning the education agenda with the energy transition and sustainable development in rural areas.

At the same time, education systems must also adapt to local opportunities across both agricultural and non-agricultural sectors.

## Policies to reduce gender gaps

Reducing gender gaps in employment and income in rural areas requires addressing the structural barriers linked to motherhood and caregiving, traditional gender norms, and the limited availability of quality employment opportunities for women, as documented by Marchionni et al. (2025).

Although, as discussed in Chapter 6, fertility rates among rural women have been declining, they remain higher than in urban areas. Expanding access to childcare and early childhood education services is therefore a key priority. Evidence shows that these services can improve women's labor outcomes by facilitating their entry into the workforce, enabling transitions to more desirable occupations, and increasing the productivity of their businesses. However, when additional barriers persist—such as restrictive social norms or a lack of quality jobs—childcare services alone are not sufficient to close gender gaps (J-PAL, 2023).

Marchionni et al. (2025) also emphasize that one of the main constraints faced by rural women is the amount of time devoted to unpaid domestic tasks other than caregiving, such as subsistence production or water collection. Investment in basic infrastructure (water, energy, transport) and in time-saving technologies is therefore essential to ease this burden and expand women's employment opportunities.



### **Reducing gender gaps in rural employment and income requires addressing structural barriers linked to motherhood and caregiving, traditional gender norms, and the limited availability of quality jobs for women**

Another key pillar is technical training programs with a gender focus, complemented by affirmative actions to promote women's participation in strategic sectors traditionally dominated by men, such as agribusiness, fishing, and construction. Financial inclusion policies, while relevant for the entire rural population, are particularly important for women, who continue to face greater barriers to access.

Finally, policies should be accompanied by initiatives to transform social norms. Awareness campaigns and gender-responsive education programs that challenge stereotypes about the economic and family roles of rural women are key to consolidating progress and closing existing gaps.

## Enabling policies to support better labor conditions

In many cases, employment opportunities exist in nearby towns or localities, but high transport costs, poor connectivity infrastructure, and the lack of mobility services create significant barriers that prevent rural workers from accessing them. In practice, these barriers limit the ability to take advantage of available job opportunities.

Infrastructure policies—covering both transportation networks and digital connectivity—are key enablers of labor market inclusion in rural areas and of efforts to close connectivity gaps. As documented in Chapter 8, empirical evidence consistently shows that investments in physical and digital infrastructure have positive effects on rural employment by lowering job search costs, improving access to broader markets, and expanding the range of opportunities available to workers and entrepreneurs.