

First version: September 3, 2026



CAF-WORKINGPAPER

#2026/10

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Out of Agriculture, Still Vulnerable: Rural Labor Markets in Latin America

Dolores de la Mata^{*} Mariana Marchioni[†] Ivan Albina[‡] Juan Barnes[§]

Abstract

Rural poverty has declined substantially in Latin America over the past two decades, yet vulnerability remains high and rural–urban gaps persist. This paper examines the factors associated with this persistence using harmonized household survey microdata for 14 Latin American countries over 2003–2023. We document three main patterns. First, persistent rural disadvantage does not appear to reflect a worsening composition of the rural population: rural–urban gaps narrowed in household demographics, educational attainment, and access to basic services. Second, rural employment shifted markedly away from agriculture, with the agricultural share falling from 53% to 43%, while informality also declined. Yet convergence in job quality was much more limited: rural workers remain more informal, less concentrated in high-complexity occupations, and lower paid than urban workers, with lower returns to education. Importantly, these disadvantages extend to the increasingly prevalent non-agricultural rural jobs. Third, vulnerability is not confined to agricultural households: poverty remains substantial among non-agricultural rural households, which now account for nearly half of the rural poor. Overall, the evidence highlights a central distinction between sectoral reallocation and improvements in job quality: moving out of agriculture has not, by itself, eliminated rural vulnerability.

Keywords: Rural labor markets, income diversification, structural transformation, Latin America, vulnerability.

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1 | INTRODUCTION

Over the past two decades, Latin America has experienced a substantial decline in poverty. The regional poverty rate fell by roughly half between the early 2000s and the eve of the COVID-19 pandemic, from 42.4% in 2003 to 23.6% in 2019 (Gasparini et al., 2023). After the temporary increase associated with the pandemic, poverty resumed its downward trend (SEDLAC, 2025). These gains reflect a combination of sustained economic growth, improvements in labor market conditions, and the expansion of social protection systems across the region (Alvaredo and Gasparini, 2015).

Despite these broad-based improvements, a large rural-urban divide persists. Rural areas—home to approximately 120 million people, about 18% of the population in Latin America (CELADE, 2024)—continue to exhibit significantly higher levels of poverty and economic vulnerability than urban areas. As shown in Figure 1, poverty declined somewhat faster in rural areas, falling from 65% in 2003 to 34% in 2023. Yet rural poverty remains high in absolute terms and about twice as high as urban poverty (17%) by the end of the period. Thus, despite substantial progress, rural Latin America continues to combine high levels of vulnerability with sizable gaps relative to urban areas.

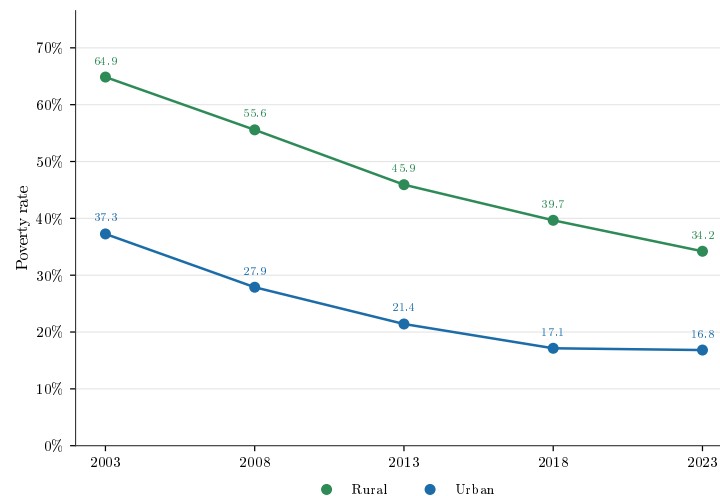


FIGURE 1 Rural and urban poverty in Latin America, 2003–2023. *Notes:* Poverty is defined as the share of the population living in households with income below a threshold of USD 6.85 per person per day (PPP). *Source:* Authors, based on data described in Section 2.

This raises the question of what explains the persistence of vulnerability in rural Latin America and how it relates to the broader process of economic development. By documenting the evolution of rural household characteristics, labor-market outcomes, and income composition over the first quarter of the twenty-first century, this paper seeks to shed light on the factors associated with persistent rural vulnerability. To this end, we use microdata from harmonized household surveys for 14 countries spanning the period 2003–2023, drawn from the Socio-Economic Database for Latin America and the Caribbean (SEDLAC), a joint initiative of CEDLAS and the World Bank (CEDLAS and The World Bank, 2023). This broad spatial and temporal coverage allows us to construct a consistent and detailed picture of rural labor markets and household income structures across the region.

Our analysis proceeds in three steps. We first examine whether persistent rural dis-

advantage is associated with persistent gaps in the observable characteristics of the rural population, comparing the evolution of demographic characteristics, human capital, and living conditions across rural and urban households. We then ask whether changes in rural labor markets may have altered the economic opportunities available to rural workers, documenting the evolution of the sectoral structure of employment, labor arrangements, and job quality, as captured by informality, occupational complexity, and hourly earnings. Finally, because household vulnerability depends not only on individual employment outcomes but also on how different income sources are combined within households, we examine the composition of labor and non-labor income across household types and along the rural income distribution.

Our findings reveal a sharp contrast between substantial transformation and persistent vulnerability. First, the persistence of rural disadvantage does not appear to be driven by the composition of the rural population. Rural households became smaller, dependency ratios declined, educational attainment improved substantially, and access to basic services expanded, narrowing rural–urban gaps along all of these dimensions. In particular, the narrowing of education gaps is important from a labor-market perspective, as it indicates that rural workers did not fall increasingly behind in one of the key observable determinants of employment and earnings. These patterns suggest that persistent rural vulnerability cannot be accounted for by a worsening composition of the rural population and point instead to the economic opportunities available in rural areas.

The labor-market evidence reveals a similar tension between substantial change and persistent disadvantage. Rural employment shifted markedly away from agriculture between 2003 and 2023, with the agricultural share falling from 53% to 43% and non-agricultural activities expanding accordingly. Over the last decade, non-agricultural employment became, for the first time, the main source of rural jobs. This reallocation was accompanied by some improvements in employment conditions: informality declined from 74% to 67%, largely through reductions in low-skilled self-employment and unpaid work. Yet these changes brought only limited convergence toward urban labor markets. Rural informality remains substantially higher than urban informality (67% versus 45% in 2023), occupational upgrading has been modest, and sizeable earnings gaps persist even after accounting for observable worker characteristics. Returns to education also remain lower in rural than in urban labor markets, suggesting that the substantial gains in rural educational attainment have not been matched by comparable improvements in the rewards to human capital. Importantly, the limitations of rural labor markets extend beyond agriculture. Non-agricultural jobs have become increasingly prevalent in rural areas and generally offer better conditions and higher earnings than agricultural jobs, but they remain considerably more informal, less intensive in high-complexity occupations, and lower paid than urban employment. Thus, the substantial movement out of agriculture has not been accompanied by a comparable narrowing of rural–urban gaps in job quality.

These labor-market opportunities and constraints are reflected in the way rural households generate their incomes and, ultimately, in their exposure to poverty. Agricultural households remain the most vulnerable segment of the rural population. They have the highest poverty rates and rely more heavily on agricultural self-employment, with less diversified income portfolios and a greater incidence of non-monetary income, largely associated with own-consumption. Yet rural poverty is far from confined to agriculture. In 2023, poverty reached 41% among agricultural households but remained as high as 27% among non-agricultural rural households. Non-agricultural households now represent 54% of the rural population and account for nearly half (46%) of the rural poor. This reinforces the broader message from the labor-market evidence: the persistence of rural vulnerability reflects not only the continued disadvantage of households tied to agriculture, but also the

limited economic opportunities available outside it.

This paper contributes to the literature on rural development in three ways. First, it provides updated and comparable evidence on the evolution of rural households, employment, and income structures across Latin America. Extending the analysis of rural labor markets in CAF (2026) and building on the harmonized household-survey tradition of SEDLAC (CEDLAS and The World Bank, 2023), we assemble one of the most comprehensive harmonized rural datasets for the region to date and use it to update earlier cross-country portraits of rural Latin America (de Ferranti et al., 2005; Reardon et al., 2001; Dirven, 2004). Second, the paper highlights the distinction between sectoral reallocation and improvements in job quality. We view the changes documented here as micro-level manifestations of the long-run process of structural transformation—the secular reallocation of labor and output away from agriculture—studied since Lewis (1954) and Kuznets (1966) and synthesized by Herrendorf et al. (2014). Our evidence shows that substantial reallocation away from agriculture can coexist with persistent informality, limited occupational upgrading, low earnings, and weak returns to human capital in rural labor markets (La Porta and Shleifer, 2014). In this sense, we shift attention from whether rural workers move out of agriculture to the quality of the opportunities available to them outside it. Third, we bring a household and distributional perspective to this transformation, documenting how dependence on agriculture, non-agricultural wage employment, and other income sources vary across rural households and along the income distribution. This relates to a longstanding literature on rural livelihood diversification and non-farm employment (Ellis, 1998; Lanjouw and Lanjouw, 2001; Hagblade et al., 2010), while emphasizing that vulnerability remains substantial even among rural households whose livelihoods are no longer primarily tied to agriculture.

The rest of the paper is organized as follows. Section 2 describes the data and main definitions. Section 3 examines changes in the composition of the rural population and the evolution of rural–urban gaps in observable characteristics. Section 4 documents changes in the structure and quality of rural employment. Section 5 analyzes household income sources and their distribution across rural households. Section 6 discusses the main implications of the findings, and Section 7 concludes.

2 | DATA

2.1 | Data source and sample coverage

We draw on microdata from harmonized household surveys from the Socio-Economic Database for Latin America and the Caribbean (SEDLAC), a joint initiative of CEDLAS (Universidad Nacional de La Plata) and the World Bank (CEDLAS and The World Bank, 2023). SEDLAC compiles and processes microdata from official household surveys conducted by national statistical offices across Latin America. A key advantage of SEDLAC is the harmonization of variables across countries and over time, which ensures comparability in core indicators.

Our analysis covers fourteen countries—Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Honduras, Mexico, Panama, Paraguay, Peru, the Dominican Republic, and Uruguay—spanning the period from 2003 to 2023. This extensive spatial and temporal coverage allows us to construct a detailed and comparable picture of income sources, labor market outcomes, and living conditions across rural and urban areas in Latin America.

For the sake of exposition, the paper focuses on regional patterns. Unless otherwise noted, regional statistics are computed as simple averages across countries, so that each country receives the same weight. This approach captures the experience of the “typical”

Latin American country rather than that of the average individual in the region, which would be dominated by the largest economies, particularly Brazil and Mexico. Country-level results documenting the heterogeneity underlying these regional averages are reported in the Appendix.

2.2 | Definitions

Rural areas. The definition of rural areas follows the official criteria established by each country's national statistical office. These criteria typically rely on combinations of population thresholds, administrative status, settlement characteristics, and, in some cases, economic activity or access to services, as summarized as summarized in Table A.1 in the Appendix. This is the most feasible approach given the available data, and it has the advantage of aligning with the definitions used by national statistical offices, which are often the basis for policy design in each country. For these reasons, the resulting estimates should be interpreted as reflecting nationally defined rural areas rather than a strictly harmonized cross-country concept of rurality.¹ While these limitations may affect the magnitude of measured rural–urban differences, they are unlikely to alter the broad regional patterns that are the focus of this paper, although they should be kept in mind when comparing individual countries or interpreting rural–urban gaps.

Labor market outcomes. We classify individuals' labor market status, distinguishing between employment, unemployment, and inactivity. Among the employed, we further differentiate four labor categories based on their main occupation: employers (those who own a business and hire paid workers), wage employees (including domestic workers, unless the survey clearly identifies them as self-employed), own-account workers (including cooperative members), and unpaid workers (including unpaid family workers, unpaid apprentices, and similar categories).

Regarding labor informality, we use an extended legal definition that includes wage earners without pension rights, non-professional self-employment, and unpaid work. This broader measure is particularly relevant in rural areas, where informality often takes the form of low-productivity self-employment and unpaid family work.

Finally, we classify occupations into four broad groups based on one-digit codes of the current version of the ILO's International Standard Classification of Occupations (ISCO-08): high-complexity occupations, including managers, professionals, and technicians (ISCO 1–3); medium-complexity occupations, including clerical, service and sales, skilled agricultural, craft, and machine-operation occupations (ISCO 4–8); low-complexity occupations, corresponding to elementary occupations (ISCO 9); and other occupations, including armed forces and non-classified categories. Because this classification assigns the same complexity level to all workers within a given one-digit occupational category, variation arises only

¹More generally, national definitions of rural and urban areas differ not only in their specific criteria across countries but also in their shared reliance on a binary classification. A growing methodological literature argues that the rural–urban distinction may be better understood as a continuum than as a dichotomy, and has sought to move beyond it—an approach that the public-use household surveys available for Latin America do not allow us to implement, as they lack the geographic detail required to classify territories consistently along such a continuum at the individual or household level. The Degree of Urbanisation (DEGURBA) framework, developed by the European Commission, FAO, UN-Habitat, ILO, OECD, and the World Bank, addresses both concerns: it harmonizes territorial definitions across countries and captures rurality as a gradient, classifying territories using population density, settlement size, and spatial contiguity (European Commission et al., 2021). Other contributions have similarly emphasized the limitations of static and dichotomous definitions: ECLAC and IFAD's work on rural transformation in Latin America (Gaudin and Padilla Pérez, 2023; Gaudin et al., 2024), and Cattaneo et al. (2021), who propose Urban–Rural Catchment Areas based on travel times to urban centers of different sizes.

across occupations. It should therefore be interpreted as a coarse ranking of occupational complexity.² Country and year coverage for ISCO data is reported in Table A.2 in the Appendix.

Agricultural employment. The sector of the main occupation is identified using harmonized industry classifications based on the one-digit level of the International Standard Industrial Classification of All Economic Activities (ISIC Rev. 3). Depending on the country and survey, the original industry variable is either already reported at this level or is available at a more disaggregated two-, three-, or four-digit level and then aggregated to the common one-digit classification. For the purposes of the analysis, the agricultural sector is defined narrowly as agriculture, hunting, and forestry, corresponding to category 1 of the one-digit ISIC Rev. 3 classification. All other sectors, including fishing, mining, manufacturing, construction, commerce, and services, are classified as non-agricultural activities.

Agricultural households. According to the main occupation of the household head or spouse, we define agricultural households as a specific subgroup of rural households: those in which the head or spouse reports agriculture as their main occupation. Notice that this category is defined exclusively within the rural population.³ Within agricultural households, we further distinguish four mutually exclusive groups: agricultural employer households, agricultural wage-worker households, self-employed agricultural households, and other agricultural households.⁴

Income measurement. Household income is constructed by aggregating all monetary and non-monetary sources reported in the surveys. This includes labor income from both wage employment and self-employment, as well as non-labor income such as pensions, transfers, and other private or public sources. Whenever available, income measures incorporate imputed values for self-consumption and in-kind earnings, which are particularly relevant in rural contexts. The availability of these components varies across countries, and no additional correction is applied when they are not captured by the original survey. Income variables are expressed in real terms using country-specific price indices and converted into a common currency using purchasing power parity (PPP) exchange rates (2017 international dollars). Since the analysis relies on a fixed international poverty line, rather than on country-specific poverty lines that may vary across regions or between urban and rural areas, we follow SEDLAC and adjust rural incomes upward by 15 percent to account for the lower cost of living in rural areas. This adjustment is applied uniformly across countries and rural areas, and therefore does not capture differences in local price levels or degrees of rurality within countries.

²This classification is a proxy for occupational complexity rather than a direct measure of task content. Task-based measures can capture variation within occupations; for example, Bonavida and Gasparini (2026) use PIAAC data to construct individual-level indices of abstract, routine, and manual task intensity. Such measures are not available at the scale required for our analysis.

³This definition is related to that proposed by Gáfaró et al. (2025), but adopts a more restrictive criterion. While those authors classify a household as agricultural if at least one member is employed in the sector, we focus on the occupation of the head or spouse. This choice is intended to exclude cases in which the household's link to agriculture is only marginal—for example, when the only member engaged in agricultural activities is a child, possibly as an unpaid worker—and to better capture the household's primary economic orientation. In practice, however, the share of households classified as agricultural does not differ substantially across definitions.

⁴The household is assigned to the highest-ranking category observed between the household head and spouse, according to the following hierarchy: employer, wage worker, self-employed worker, and other.

2.3 | The rural population in Latin America

Having defined the rural and urban populations used throughout the paper, it is useful to briefly characterize the evolution of the rural population covered by our data. Figure 2 reports the share of the population living in rural households in the average Latin American country between 2003 and 2023, together with the share of rural households whose head or spouse is primarily employed in agriculture. On average across the region, the share of the population in rural households declined from 31.6% to 25.1%, reflecting the well-documented process of urbanization in Latin America. Over the same period, the share of the rural population living in agricultural households fell from 56% to 46%, reflecting the ongoing diversification of rural labor markets away from agriculture. These broad regional trends provide useful context for the analysis that follows. Moreover, although levels vary widely across countries, the decline in both the rural and the agricultural share is observed in most of them, indicating that these regional patterns reflect a widespread phenomenon rather than the experience of a few large economies (see Figure A.1 in the Appendix).

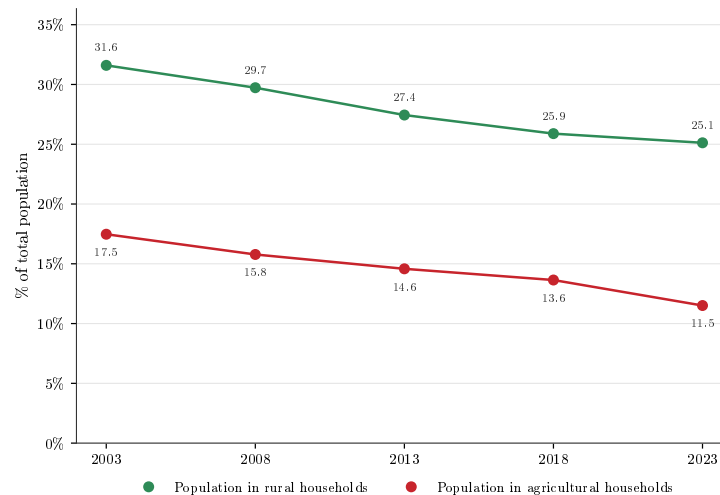


FIGURE 2 Share of the population living in rural and agricultural households. *Notes:* Simple averages across 14 Latin American countries. *Source:* Authors, based on data described in Section 2.

3 | CHANGING RURAL POPULATION AND THE PERSISTENCE OF RURAL VULNERABILITY

A natural starting point for understanding the persistence of rural vulnerability is to ask whether it reflects a process of increasing negative selection; that is, whether the rural population has become progressively more disadvantaged relative to the urban population in ways that could account for persistent rural–urban gaps. Table 1 provides little support for this hypothesis. Rural households continue to lag behind urban households along most observable characteristics, but these gaps narrowed markedly between 2003 and 2023. Convergence is observed across a broad range of demographic, socioeconomic, and living-condition indicators. Rural households became smaller, dependency ratios declined, educational attainment improved substantially, and access to basic services expanded. For example, the rural-to-urban ratio in the share of household heads with secondary education

or more nearly doubled, from 0.23 to 0.42, while the ratio in access to electricity rose from 0.72 to 0.96. This broad-based improvement was also accompanied by a modest narrowing of the rural–urban gap in average per-capita income, whose ratio increased from 0.47 to 0.65.

These relative improvements are particularly notable once we consider that rural-to-urban migration could, in principle, work against them. Because migration in Latin America tends to be positively selected—migrants are younger and more educated than those who stay behind (de la Mata and Rosá, 2026)—their departure might worsen the observable composition of the population that remains classified as rural, biasing it toward greater relative disadvantage and making convergence harder to detect. Yet Table 1 shows the opposite: rural households improved relative to urban ones across demographic, human-capital, and living-condition indicators. In part, this may reflect a weakening of the rural-to-urban migration process itself: flows in Latin America have declined over time, both in absolute terms and relative to the size of the rural population (Rodríguez Vignoli, 2008; de la Mata and Rosá, 2026).

A separate concern is that the rural–urban classification of localities used by national statistical offices is not fixed over time, and it may bias the observed rural–urban gap in either direction. On the one hand, because these classifications are typically revised only infrequently and in connection with census rounds or other major statistical updates (United Nations, 2005), some localities that have effectively urbanized may continue to be recorded as rural for extended periods. To the extent that these lagging, relatively dynamic areas remain in the rural sample, they improve its measured outcomes and make the observed gap appear narrower than it truly is. On the other hand, when reclassification does occur, it tends to update precisely the most dynamic localities, removing them from the rural sample and worsening the composition of the population that remains classified as rural, which widens the observed gap. Because the two forces push in opposite directions, their net effect on the measured rural–urban gap is a priori ambiguous. In any case, this reflects how rurality is measured rather than a real change in the underlying population, and the infrequency of reclassification limits its influence on the broad patterns documented here.

TABLE 1 Descriptive Statistics by Urban/Rural Area. Average Latin America, 2003 and 2023

	2003			2023		
	Urban	Rural	R/U	Urban	Rural	R/U
<i>Panel A. Demographic characteristics</i>						
Male household head (%)	71.8	81.0	1.1	56.7	67.4	1.2
Average age of household head	47.1	47.7	1.0	50.9	51.8	1.0
Household size	3.9	4.3	1.1	3.2	3.3	1.0
Children under 15 per household	1.2	1.6	1.3	0.7	0.9	1.2
Dependency ratio	0.7	0.9	1.3	0.5	0.6	1.2
<i>Panel B. Human capital</i>						
Head with secondary education or more (%)	35.7	8.3	0.2	49.6	21.0	0.4
Secondary educ. completed or more, ages 25+ (%)	38.2	9.4	0.2	52.6	23.8	0.5
Average years of schooling, ages 25+	8.6	4.6	0.5	10.2	6.8	0.7
School attendance, ages 6–17 (%)	89.9	80.9	0.9	94.7	91.6	1.0
<i>Panel C. Living conditions</i>						
Access to electricity (%)	96.4	69.4	0.7	99.7	95.5	1.0
Access to piped water (%)	88.3	57.1	0.6	94.3	71.0	0.8
Access to sanitation (%)	55.1	5.9	0.1	63.4	10.8	0.2
Overcrowded household (%)	5.1	10.4	2.1	1.5	3.1	2.0
<i>Panel D. Labor market and economic outcomes</i>						
Employment rate, ages 15+ (%)	50.7	53.6	1.1	54.4	56.0	1.0
Avg. monthly labor income, employed (2017 PPP USD)	848.2	490.7	0.6	1009.2	736.6	0.7
Avg. monthly per-capita income (2017 PPP USD)	457.1	213.8	0.5	655.3	426.9	0.7
Poverty rate (%)	37.3	64.9	1.8	16.8	34.2	2.0
Extreme poverty rate (%)	14.5	42.4	2.9	4.5	14.6	3.3

Notes: Simple averages across 14 Latin American countries. Household-level variables—the household-head demographics in Panel A, the household head’s education in Panel B, and the dwelling conditions in Panel C—are computed over household heads. The remaining variables (education and attendance for the indicated age groups, employment, labor income, per-capita income, and poverty) are computed at the individual level. R/U denotes the rural-to-urban ratio. Income variables are expressed in 2017 international dollars using purchasing power parity (PPP) exchange rates. Poverty and extreme poverty are measured using the \$6.85 and \$3.65 per-person per-day thresholds, respectively (monthly equivalent). Rural and urban classifications follow each country’s official definition. *Source:* Authors, based on data described in Section 2.

The last two rows of Table 1 show that the convergence in observable characteristics documented above did not translate into a comparable narrowing of poverty gaps. If anything, the rural–urban poverty gap widened slightly under both the moderate international poverty line, US\$ 6.85 PPP per person per day, and the extreme international poverty line, US\$ 3.65 PPP. By 2023, rural households were still about twice as likely to be poor as urban households and more than three times as likely to live in extreme poverty.

These patterns suggest that the persistence of rural vulnerability cannot be entirely attributed to a process of increasing negative selection into the rural population. They instead point to a possible role for the economic opportunities available to rural households. The next section examines labor markets as a key channel.

4 | THE TRANSFORMATION OF EMPLOYMENT IN RURAL LATIN AMERICA

Labor markets are central to explaining the persistence of rural vulnerability, as labor income remains the main source of household income (see Section 5). Employment conditions in Latin America have undergone profound changes over recent decades, and these shifts have been particularly salient in rural areas, where structural transformation has been accompanied by a decline in the relative weight of agricultural jobs. In principle, the reallocation of labor toward other sectors could have contributed to improvements in rural employment conditions and labor income. However, persistent barriers in rural labor markets—reflected in high levels of informality and the limited skill content of employment—may have constrained improvements in job quality and hindered convergence between rural and urban areas. This section examines these dynamics by documenting changes in the sectoral composition of employment, labor arrangements, the complexity of occupations, and hourly wages across rural and urban labor markets.⁵

4.1 | Changes in sectoral structure of employment

One of the most salient changes in rural employment is its sectoral structure. The movement of labor out of agriculture and into more dynamic sectors, such as manufacturing and services, has long been recognized as central to economic development. Lewis (1954) identified the reallocation of labor away from traditional agriculture and toward more productive sectors as a core feature of economic growth, while Timmer (1988) later emphasized this process as part of a broader agricultural transformation.

Figure 3a shows that this process is still ongoing in rural Latin America. Among prime-age workers, aged 25 to 54, the share of rural employment in agriculture has declined steadily over the last two decades, while employment in services has expanded.⁶ For the first time in the region, fewer than half of rural workers are employed in agriculture, representing a decline of around 10 percentage points relative to 2003. This reflects a substantial transformation in the structure of rural employment, where agricultural activities had historically accounted for the majority of jobs. By contrast, Figure 3b shows that agriculture represents only a very small share of urban employment. The more modest changes observed over the period consist mainly of a contraction in industry and construction and a gradual expansion of services, reflecting the fact that the transition toward a service-based economy occurred earlier in urban areas (Rodrik, 2016; Reardon et al., 2001). Taken together, these figures suggest that the structural transformation that began in the middle of the twentieth century has continued during the first quarter of the twenty-first century, but with a clear geographical pattern: recent changes have been much more pronounced in rural areas than in urban ones.

These same dynamics are observed individually in most countries (see Figure A.3 in the Appendix), suggesting that the rural shift away from agriculture was not driven by a small number of countries, but rather reflected a broad regional transformation. The largest declines are observed in Bolivia, Brazil, Paraguay, and Chile, while the Dominican Republic and Ecuador are the only exceptions to this regional pattern. Moreover, Figure 4 shows a

⁵This analysis abstracts from the evolution of labor force participation, which increased in both rural and urban areas. Between 2003 and 2023, the participation rate in rural areas rose from 73% to 77%, remaining about five percentage points below the urban rate. This increase was mainly driven by rising female participation, which left the rural-urban gap in participation broadly unchanged (see Figure A.2 in the Appendix).

⁶Younger and older individuals are excluded of this analysis because changes in their sectoral employment composition may partly reflect changes in school enrollment, delayed labor-market entry, retirement, or partial attachment to the labor force, rather than changes in the sectoral structure of employment itself.

negative cross-country relationship between the share of agricultural employment in total rural employment and GDP per capita, suggesting that the over-time shifts documented above reflect a broader reallocation pattern along the development process (Herrendorf et al., 2014; Gollin et al., 2002).

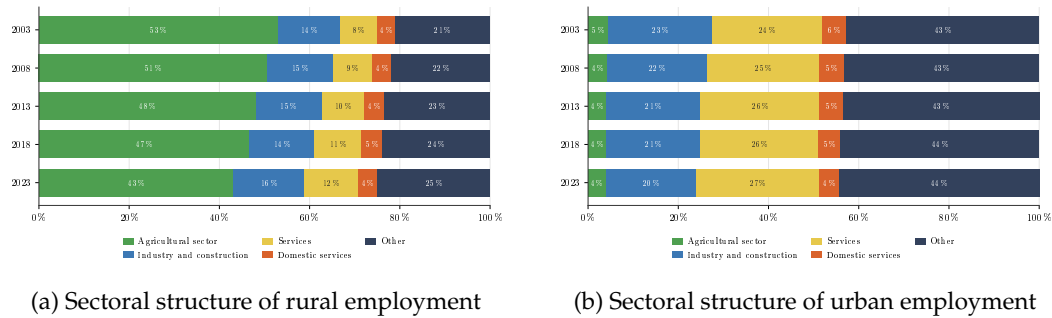


FIGURE 3 Evolution of the sectoral structure of employment. Average for Latin America, 2003–2023. *Notes:* Indicators are calculated for the population aged 25–54. The agricultural sector includes agriculture, livestock, hunting, and forestry; services include professional, health, and education services; 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. *Source:* Authors, based on data described in Section 2.

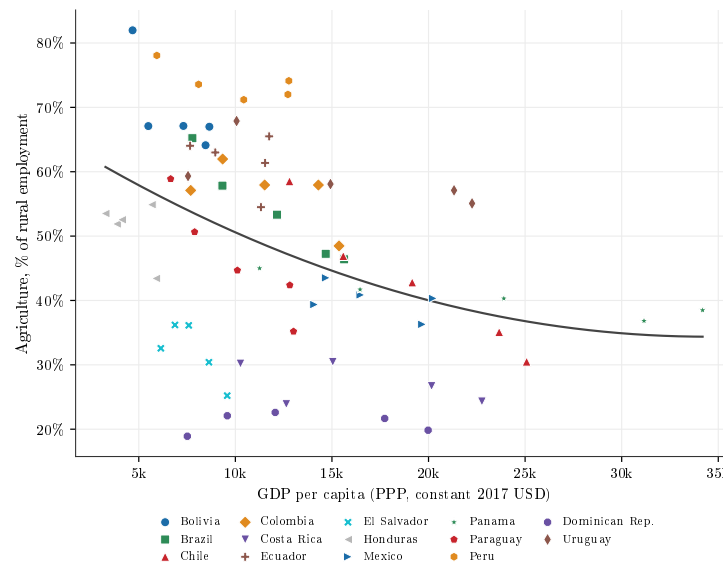


FIGURE 4 Correlation between employment in the agricultural sector as a share of total rural employment and GDP per capita in Latin American countries, 2003–2023. *Notes:* Indicators are calculated for the population aged 25–54. Each point represents a country and a year. The years considered are 2003, 2008, 2013, 2018, and 2023. *Source:* Authors, based on data described in Section 2 and World Bank (2025) data.

4.2 | Changes in labor arrangements and declining informality

The reallocation of labor out of agriculture changed not only the economic sectors where rural workers are employed, but the terms on which they work. Alongside the sectoral shift documented in Section 4.1, rural labor arrangements moved toward wage employment and away from more precarious, informal forms of work. We capture these informal arrangements through an extended definition of informality: non-registered wage employment, low-skill self-employment, and unpaid work. Figure 5 reports the distribution of workers across labor arrangements over the period, in rural and urban areas and, within rural areas, separately for agricultural and non-agricultural employment. As Figure 5a shows, rural informality fell by 7 percentage points over the two decades, from 74% in 2003 to 67% in 2023. The decline was concentrated in the first decade and stalled thereafter. Yet, 67% of rural workers are still informal compared to a 45% in urban areas.

A substantial part of the decline in rural informality is associated with the reallocation of employment away from agriculture, where informal work is considerably more prevalent. Figures 5c and 5d show that in 2023, informality stood at 79% among rural agricultural workers, compared with 59% among rural workers outside agriculture. Moreover, informality declined only modestly within agriculture, from 83% in 2003 to 79% in 2023, whereas the corresponding decline in rural non-agricultural employment was larger, from 67% to 59%.

Yet the decline in rural informality did not translate into convergence with urban labor markets. Urban informality also declined over the period, from 52% to 45%, leaving the rural–urban gap essentially unchanged, at around 22 percentage points (Figure 5b).⁷ The persistence of this gap reflects the limited extent of formalization within rural employment. Although non-agricultural jobs are less informal than agricultural ones, the expanding non-agricultural segment remains far from formal (Reardon et al., 2001): non-registered wage employment remained flat at around 24% of rural employment, while registered wage work accounted for only 35% of rural non-agricultural jobs in 2023. Thus, the shift out of agriculture has moved workers toward less informal activities, but not toward predominantly formal employment. This pattern holds across the region: rural informality exceeds urban informality in every country in our sample, and is higher in agriculture than in non-agricultural activities in almost all of them, as shown in Appendix Figures A.4 and A.5.

Overall, the persistence of high informality points to a limited capacity of rural labor markets to generate quality jobs, and this limitation is sharpest in agriculture. The sector's aggregate dynamism—rising productivity and deepening integration into world markets, in a region that is now the world's largest net food exporter—has not reached most of its workers (Nin-Pratt et al., 2015; Lachaud and Bravo-Ureta, 2021; OECD and FAO, 2024). This reflects a structural duality: highly productive, technologically advanced subsectors coexist with a large mass of workers in low-productivity, informal, and often subsistence-oriented units (Díaz-Bonilla and Echeverría, 2021). In such settings, self-employment often reflects a lack of wage opportunities rather than genuine entrepreneurship, a distinction documented for rural labor markets in other regions (Faggio and Silva, 2014). Small scale, low productivity, limited managerial capacity, and weak enforcement all constrain the ability of rural productive units—farm and non-farm alike—to create formal jobs (Jensen, 2022; La Porta and Shleifer, 2008, 2014; Schoar, 2010). For rural households, informality is not a minor friction: it limits access to employment-based social protection, stable earnings, and

⁷The persistence of the rural–urban informality gap is unlikely to reflect a worsening in the observable characteristics of rural workers relative to urban ones. As Appendix Table A.3 shows, over the period rural workers did not fall behind urban workers in average age, gender composition, or education. This parallels the household-level evidence in Section 3 and points to labor-market conditions, rather than to worker composition, as the source of the gap.

secure jobs, and helps explain why poverty and vulnerability remain disproportionately high in rural areas (Fields, 2004; Gasparini and Tornarolli, 2009; Maloney, 2004; Tornarolli et al., 2014).

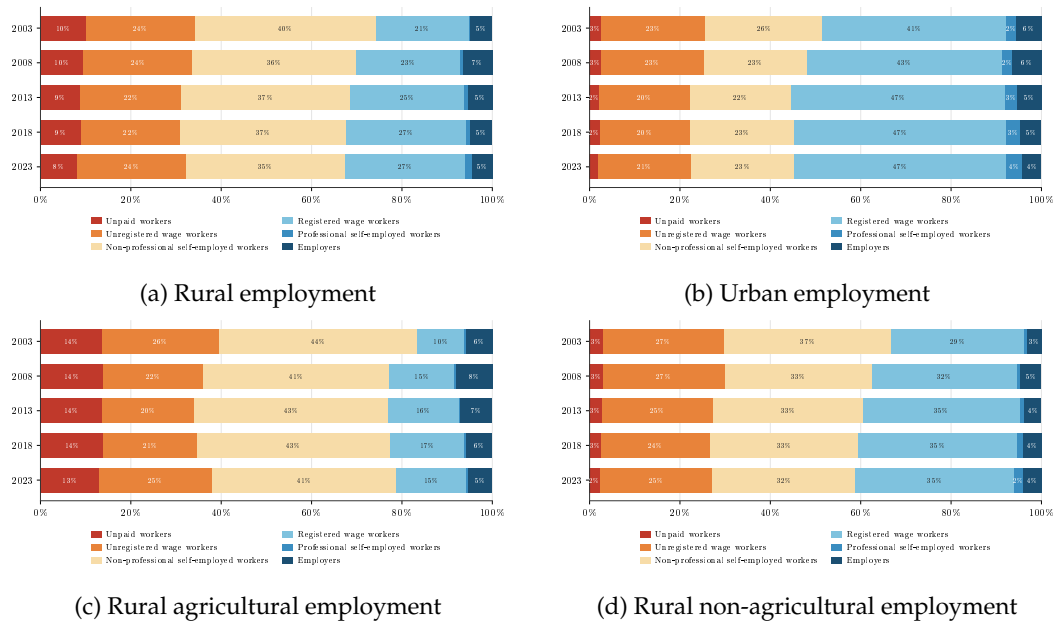


FIGURE 5 Evolution of labor arrangements. Average for Latin America, 2003–2023. *Notes:* Indicators are calculated for the population aged 25–54. *Source:* Authors, based on data described in Section 2.

4.3 | Changes in occupation's complexity

Beyond how work is arranged, job quality also depends on the types of occupations workers hold. More complex occupations typically require greater skills and tend to offer higher pay, greater stability, and more opportunities for advancement, making occupational complexity a useful proxy for job quality. This dimension is closely related to a broader literature on technological change and the changing task content of employment.⁸ Yet, relatively little is known about how the occupational structure of employment differs between rural and urban labor markets, or how it has evolved over time.

To document these patterns, we classify workers by the complexity of their occupations, following the classification described in Section 2. This is feasible for a balanced panel of five countries—Bolivia, Ecuador, Panama, Paraguay, and Peru—the broadest set of countries with harmonized ISCO codes that allows a consistent classification over the 2003–2023 period. Figures 6a and 6b report the resulting distribution of workers across complexity levels. Rural employment is markedly less intensive in high-complexity occupations than urban employment, while medium- and low-complexity occupations account for a larger

⁸The task-based approach emphasizes that technological change affects labor demand not only across sectors, but also across occupations and tasks, substituting for routine activities while increasing the relative demand for more complex, non-routine tasks (Autor et al., 2003; Acemoglu and Autor, 2011). This perspective has been central to the literature on routine-biased technological change, job polarization, and changes in the occupational structure of employment (Autor and Dorn, 2013; Goos et al., 2014). A growing body of work has applied this approach to Latin America, examining routinization, automation, and the task content of employment (Brambilla et al., 2022, 2023; César et al., 2026; Bonavida and Gasparini, 2026).

share of rural jobs. These differences changed little over the two decades. In 2023, only around 8% of rural workers were employed in high-complexity occupations, compared with 25% in urban areas. Medium-complexity occupations accounted for 68% of rural employment and around 56% of urban employment, while low-complexity occupations represented approximately 24% and 18%, respectively.⁹

Figures 6c and 6d compare the occupational structure of rural agricultural and non-agricultural employment. Agricultural employment is overwhelmingly classified as medium- or low-complexity, with virtually no workers in high-complexity occupations: in 2023, 75% of agricultural workers were in medium-complexity occupations and 25% in low-complexity ones. These shares should be interpreted with caution, however, because agricultural workers may be classified as either skilled agricultural workers (ISCO 6, medium complexity) or elementary workers (ISCO 9, low complexity), depending on how occupations are coded across countries.¹⁰ This limits the comparability of the medium- and low-complexity shares across sectors. Rural non-agricultural employment, by contrast, displays a more diversified occupational structure: in 2023, 17% of workers were in high-complexity occupations, 62% in medium-complexity occupations, and 21% in low-complexity occupations. The presence of a sizeable high-complexity segment outside agriculture is consistent with some occupational upgrading as rural employment shifts away from the sector, although this upgrading remains limited: rural non-agricultural employment is still overwhelmingly concentrated in medium- and low-complexity occupations and remains substantially less intensive in high-complexity occupations than urban employment.

Overall, the complexity of rural occupations changed little over the past two decades. Although the shift out of agriculture was accompanied by some occupational upgrading, this change was modest, and rural non-agricultural employment remains far less intensive in high-complexity occupations than urban employment.

⁹A broadly similar pattern emerges when the analysis is conducted for the nine countries with harmonized ISCO information over the period 2013–2023 (Bolivia, Brazil, Chile, Ecuador, Mexico, Panama, Paraguay, Peru, and Uruguay).

¹⁰In countries where agriculture is predominantly own-account and subsistence-oriented, such as Bolivia and Paraguay, farmers are frequently coded as skilled agricultural workers (ISCO 6), whereas in countries with a larger agricultural wage sector, agricultural workers are more often classified in elementary occupations (ISCO 9). Country-specific distributions are reported in Appendix figures A.6–A.8.

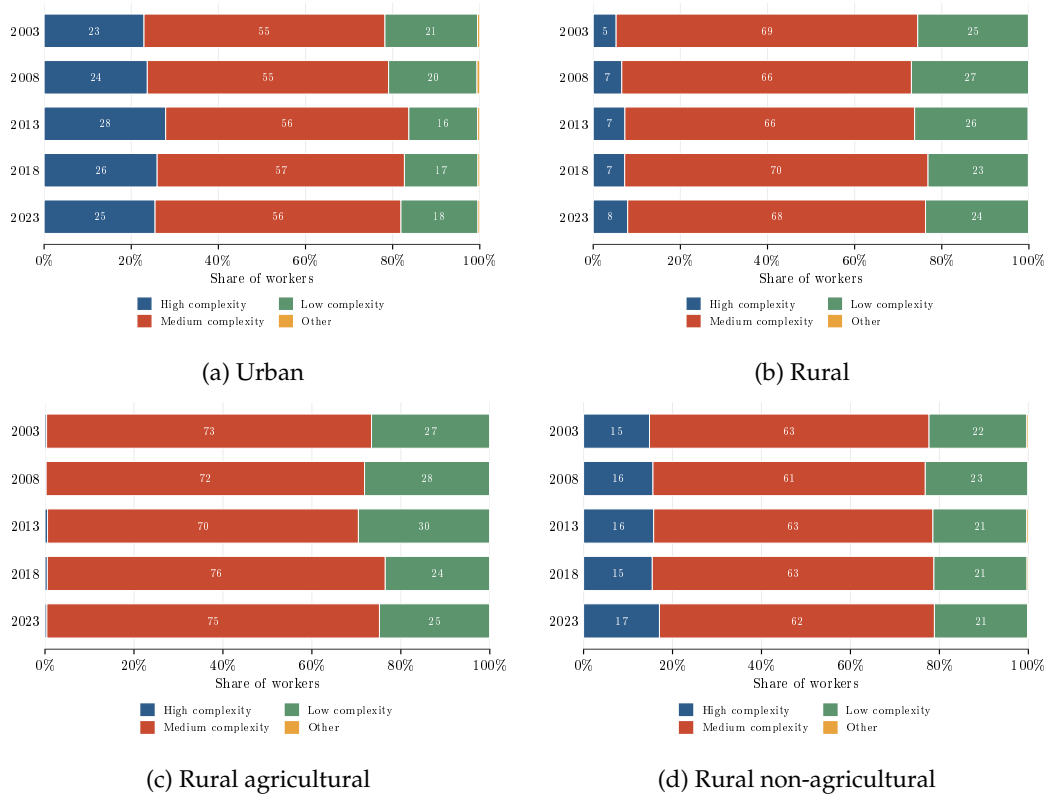


FIGURE 6 Occupational structure by complexity of occupations. Average for Latin America, 2003–2023. *Notes:* Unweighted average across five countries observed in 2003, 2008, 2013, 2018 and 2023 (Bolivia, Ecuador, Panama, Paraguay and Peru)—the broadest set of countries with harmonized ISCO codes that allows a consistent classification over the full period. Each bar adds to 100%. Occupational categories follow the ISCO-08 classification grouped by complexity: high (ISCO 1–3), medium (ISCO 4–8), low (elementary occupations, ISCO 9), and other (armed forces and non-classified). *Source:* Authors, based on data described in Section 2.

4.4 | Hourly labor earnings gaps

A final dimension of job quality is hourly labor remuneration. The previous subsections documented substantial changes in rural labor markets: employment diversified away from agriculture, and informality declined. These trends may have expanded access to more productive employment opportunities. However, occupational complexity changed little, and low-complexity jobs continued to account for a large share of non-agricultural employment in rural areas, casting doubt on the extent to which this transformation involved a meaningful shift toward more productive work. If rural workers had gained substantial access to such opportunities, the rural–urban earnings gap should have narrowed considerably, particularly after accounting for observable differences in worker characteristics. As we show below, however, the gap has narrowed only partially.

We estimate hourly labor earnings gaps using Mincer-type regressions for employed individuals aged 25–54, with the logarithm of hourly labor income as the dependent variable. The sample is a balanced panel of 11 countries observed in 2003, 2013, and 2023.¹¹ Hourly labor income includes both monetary and non-monetary components and is computed for wage employees, employers, and self-employed workers. We report both unconditional

¹¹ El Salvador, Mexico, and Uruguay are excluded from the balanced panel because they lack data for 2003; the results are robust to using the full, unbalanced set of countries.

gaps and conditional gaps that control for years of schooling, age, and gender.

Figure 7a shows that the rural-urban earnings gap declined over the last two decades, but remains sizeable. The unconditional gap in total hourly labor earnings fell from 42% in 2003 to 24% in 2023, suggesting some convergence in labor remuneration between rural and urban workers. Although accounting for observable worker characteristics substantially reduces the gap, the persistence of a sizeable conditional gap suggests that worker composition alone cannot fully account for the lower earnings of rural workers. By 2023, in fact, worker characteristics account for more than half of the raw gap. The pattern is similar when we use only the monetary component of earnings, though the gaps are slightly wider—a conditional gap of 13% in 2023, against 11% for total earnings—so non-monetary income narrows the rural-urban gap modestly.

The agricultural component of rural employment is central to understanding these patterns. Figure 7b shows that, in 2023, rural agricultural workers earned about 34% less per hour than rural non-agricultural workers; the gap remained large, at around 25%, in the conditional specification. This within-rural gap has proved unusually persistent. In 2003 it was about as large as the rural-urban gap, but it narrowed far less over the period—from 44% to 34%, against a fall from 42% to 24% between rural and urban workers. Worker characteristics also explain much less of it: controlling for schooling, age, and gender leaves a gap of about 25% in 2023, against 11% between rural and urban workers. This suggests that the agricultural earnings disadvantage is structural rather than compositional—it reflects the low productivity of agricultural activities, not the characteristics of the workers in them.

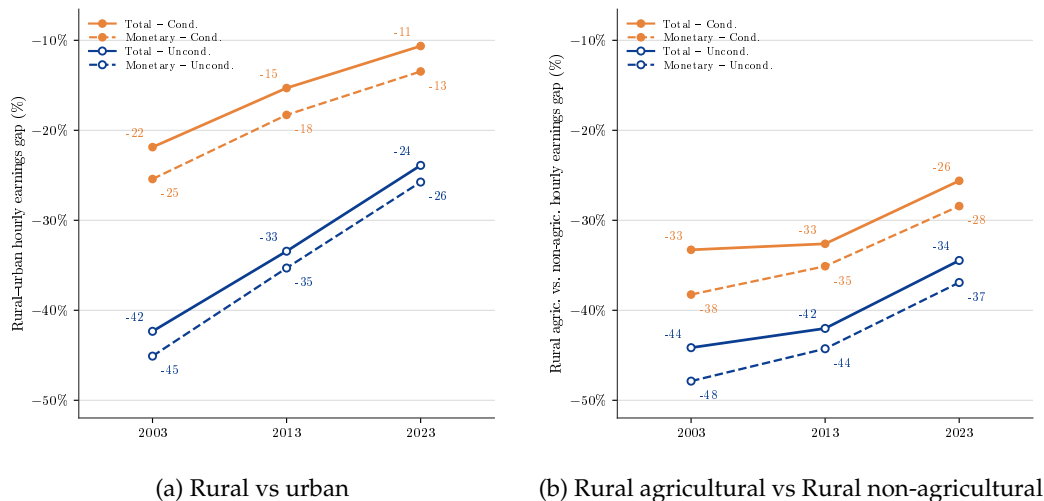


FIGURE 7 Evolution of hourly earnings gaps. Average for Latin America, 2003–2023. *Notes:* Wage gaps are estimated using Mincer equations for individuals aged 25–54, with the logarithm of hourly wages as the dependent variable. The baseline model includes only a rural dummy and yields the unadjusted rural-urban gap (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 (2), and between rural agricultural and rural non-agricultural workers (4). Conditional gaps (3) and (5) are obtained by adding controls for education, age, and gender. Balanced panel 11 countries. *Source:* Authors, based on data described in Section 2.

Figure 8 breaks the rural-urban gap down by employment category. Across all categories the gap fell over the period and shrinks sharply once we control for worker characteristics, but the conditional gaps differ markedly across them. The gap is largest, and most persistent, among the self-employed: conditional on worker characteristics, self-employed

rural workers still earned about 15% less per hour than their urban counterparts in 2023. While self-employment is also associated with vulnerability in urban labor markets, its relevance in rural areas is amplified by its stronger connection to agricultural activities and small-scale production. The prevalence of these forms of production helps explain why non-professional self-employed workers currently account for 35 percent of rural employment. These jobs tend to be characterized by lower productivity, greater earnings instability, and more limited access to employment-based social protection.

Among wage employees, by contrast, the conditional gap is very small—about 1% in 2023. These contrasts mirror the informality patterns of the previous subsection. A wage is a relatively standardized price for labor, so comparable rural and urban wage employees earn nearly the same; earnings from self-employment, instead, are the returns to a productive unit, and in rural areas these units are typically small, informal, and tied to agriculture. Where work takes the form of a wage relationship, often a formal one, the rural penalty nearly disappears among similar workers; where earnings depend on the productivity of a small informal unit, it persists. The conditional gap among employers also fell sharply, to about 6% by 2023, though employers are a small share of rural workers. These results, like the aggregate ones, are robust to restricting the analysis to monetary labor income. The persistence of similar gaps when excluding non-monetary components indicates that the observed earnings penalties are not mechanically driven by the valuation of in-kind earnings or self-consumption.

A complementary way to interpret the remaining conditional earnings gaps is to examine whether human capital is rewarded differently across rural and urban labor markets. The evidence reported in Appendix Figure A.9 shows that returns to education are lower in rural areas beyond secondary education. This may reflect the lower productivity of many rural productive units, which tend to operate at smaller scale and with more limited access to capital, technology, and dynamic markets. In such environments, workers may have fewer opportunities to apply and be rewarded for their skills. This is consistent with the occupational structure documented in Section 4.3: rural workers are concentrated in less complex occupations, which may offer fewer opportunities to use and reward additional schooling. This reinforces the interpretation that rural vulnerability is linked not only to worker characteristics, but also to the limited productivity and quality of the employment opportunities available in rural areas.

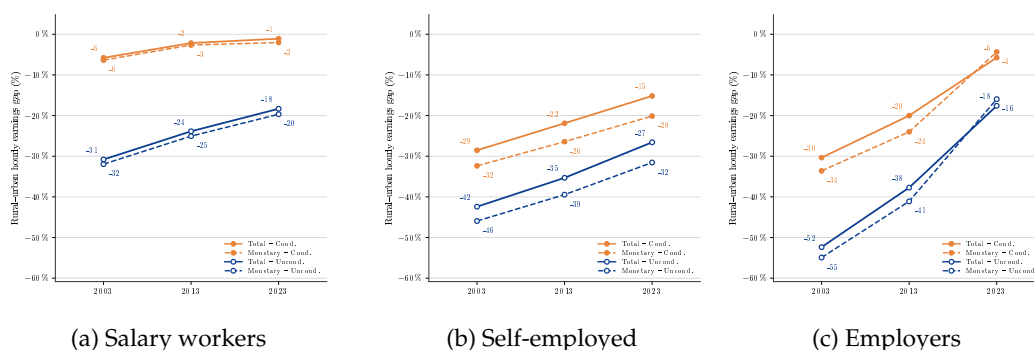


FIGURE 8 Evolution of the rural-urban hourly earnings gap by labor arrangement. Average for Latin America, 2003–2023. *Notes:* Balanced panel 11 countries. *Source:* Authors, based on data described in Section 2.

5 | HOUSEHOLD INCOME SOURCES AND RURAL VULNERABILITY

The preceding sections reveal a striking contrast. Over the past two decades, rural households converged toward their urban counterparts along several dimensions: household size and dependency ratios declined, educational attainment increased, and access to basic services expanded, narrowing many rural–urban gaps. Yet this convergence in observable characteristics did not translate into a comparable narrowing of poverty gaps. Although rural poverty fell sharply—from 65% in 2003 to 34% in 2023—it remained about twice the urban rate, with similar patterns observed across most countries (see Figure A.10 in the Appendix). The labor-market evidence presented in Section 4 provides part of the explanation for this disconnect. Rural employment shifted markedly away from agriculture, but convergence in job quality was limited: employment conditions remain weak both within agriculture and in the expanding non-agricultural segment, while sizable rural–urban gaps persist in informality, occupational complexity, earnings, and returns to education. Labor-market outcomes alone, however, do not fully determine household living standards, which depend on how income from different members and activities is combined with pensions, transfers, and other sources. To complete the picture, this section first identifies which rural households remain most vulnerable and then examines how the composition of household income varies across household types and along the rural income distribution, shedding light on the persistence of rural poverty.

5.1 | Falling rural poverty and the changing composition of the rural poor

We begin by identifying which types of rural households remain most vulnerable. As rural employment shifted away from agriculture, the share of the rural population living in agricultural households fell from about 56% to 46% over the period. Figure 9 shows that poverty declined markedly in both agricultural and non-agricultural rural households, although the gap between them narrowed only modestly: poverty fell from 71% in 2003 to 41% in 2023 among agricultural households, compared with a decline from 56% to 27% among non-agricultural rural households. Despite the shrinking weight of agricultural households in the rural population, they remain disproportionately represented among the poor. As shown in Table 2, they accounted for about 61% of the rural poor in 2003 and still 54% in 2023. This concentration is largely driven by self-employed agricultural households: although their poverty rate fell sharply, from 74% to 45%, their relative representation among the poor increased from 1.13 to 1.38 times the rural average. Agricultural wage-worker households, by contrast, were no longer over-represented among the poor by 2023.

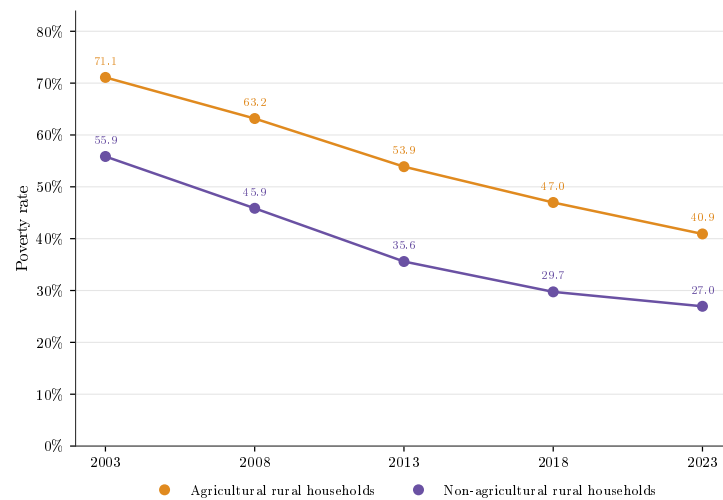


FIGURE 9 Rural poverty by household type. Average for Latin America, 2003–2023. *Notes:* Poverty is defined as the share of the population living in households with income below a threshold of USD 6.85 per person per day (PPP). *Source:* Authors, based on data described in Section 2.

TABLE 2 Composition of the rural poor by occupational category of the head or spouse. Average for Latin America, 2003 and 2023

Household type	2003				2023			
	% of rural population	Poverty rate	% of rural poor	Over-rep.	% of rural population	Poverty rate	% of rural poor	Over-rep.
Agricultural households	56.5	71.1	61.4	1.09	45.8	40.9	53.9	1.18
Self-employed (own-account)	33.7	74.4	38.3	1.13	26.8	45.4	37.0	1.38
Employer	4.9	45.9	3.8	0.77	3.8	23.2	3.0	0.79
Wage earner	17.7	67.6	19.6	1.11	14.5	33.3	13.3	0.92
Other	0.8	64.7	0.8	1.01	0.8	33.8	0.7	0.86
Non-agricultural households	43.1	55.9	38.3	0.89	54.2	27.0	46.2	0.85

Notes: Poverty is defined as living in a household with per-capita income below US\$6.85 per day (PPP). All statistics are simple averages across the 14 countries, computed country by country and then averaged, so category rows need not sum exactly to the totals. *Source:* Authors, based on data described in Section 2.

5.2 | Labor income and household welfare

Labor is the main source of household resources regardless of place of residence. As Figure 10a shows, labor earnings—including both monetary and non-monetary components—account for about 78% of total income among rural households, only slightly below the 80% observed in urban areas. The labor-market patterns documented in Section 4 are therefore directly relevant for household welfare.

Within rural areas, however, reliance on labor income varies across household types. Agricultural households depend on it more heavily: labor income accounts for about 82% of their total income, compared with 75% among non-agricultural rural households. With little cushion from other income sources, their welfare depends closely on the quality of the jobs they hold.

But rural households differ not only in how heavily they rely on labor income; the

sectoral sources of that labor income also vary markedly across household types. As Figure 10 shows, on average 36% of labor income among rural households originates in agricultural activities, with the share reaching 59% in Peru and 58% in Uruguay (see Figure A.11 in the Appendix). This share is much higher among agricultural households, where agriculture accounts for about 77% of labor income, but it is minimal among non-agricultural rural households, averaging only around 5%. Thus, while rural labor markets have diversified, agricultural income remains central for a large subset of rural households.

This agricultural specialization matters for vulnerability because it ties household welfare closely to a sector characterized by high informality, widespread self-employment, and low earnings. It also leaves households more exposed to sector-specific shocks and with fewer opportunities to diversify into more productive activities. In this sense, household-level vulnerability mirrors the labor-market segmentation documented in Section 4 and extends beyond what poverty rates alone capture. A large literature links persistent specialization in low-productivity activities to frictions—including financial constraints, institutional barriers, and limited labor mobility—that hinder the reallocation of workers toward more productive sectors and can generate poverty traps, with households remaining confined to occupations that offer little scope for accumulation (Banerjee and Duflo, 2011; Carter and Barrett, 2006; La Porta and Shleifer, 2014).

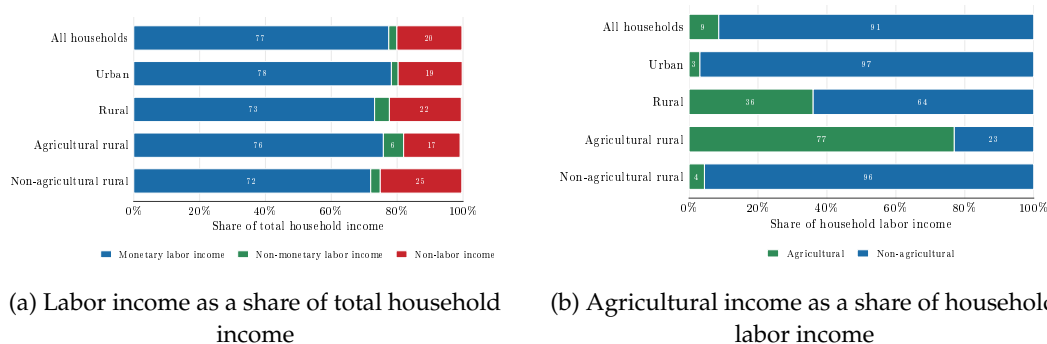


FIGURE 10 Composition of household income by household type. Average for Latin America, 2023. *Notes:* Labor income includes both monetary or paid income (such as wages or self-employment earnings) and non-monetary or unpaid income (such as self-consumption and in-kind remuneration). Agricultural household 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. *Source:* Authors, based on data described in Section 2.

5.3 | Income composition and limited productive diversification at the bottom

Aggregate income shares mask sharp differences across the rural income distribution. As Figure 11 shows, the share of income that comes from labor rises steadily with household income: in 2023 it accounts for only about 39% of total income among rural households in the bottom decile, compared with about 86% at the top. This gradient steepened over the period, driven by the bottom rather than the top: the labor-income share of the poorest rural households fell from about 61% in 2003 to 39% in 2023, while it barely moved at the top.¹²

The declining labor share does not mean that labor became unimportant at the bottom. Its compositional counterpart was a sharp increase in the importance of public transfers and

¹²We compare independent cross-sections, so decile membership differs across years; these are compositional comparisons, not household trajectories.

pensions. Among households in the first rural decile, the share of public transfers rose from about 7% in 2003 to 24% in 2023, while that of pensions increased from 5% to 14%. Private transfers, by contrast, changed little. The income portfolios of the poorest rural households therefore became increasingly reliant on non-labor sources, particularly public transfers and pensions.

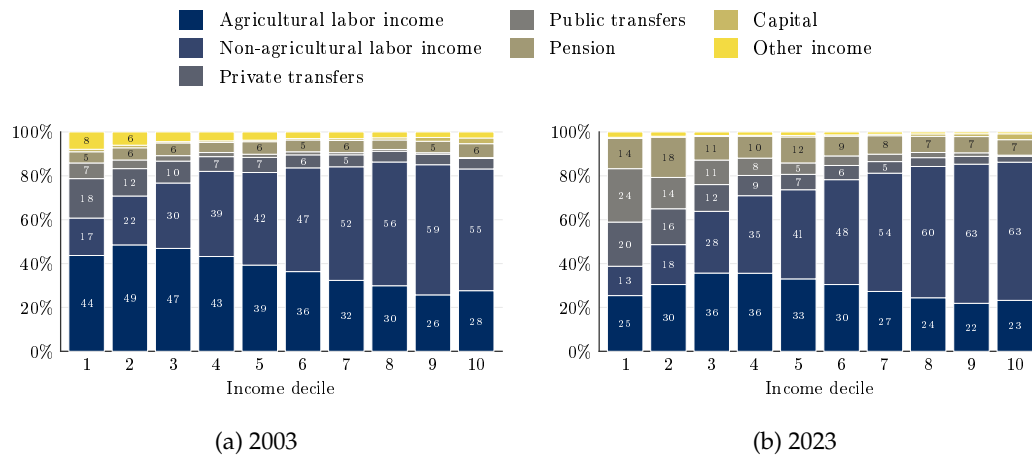


FIGURE 11 Composition of rural household income across the income distribution. Average for Latin America, 2003 vs. 2023. *Notes:* The disaggregation corresponds to deciles of total household income calculated at the national level. On average across the 14 countries, the first four deciles include 53% 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). *Source:* Authors, based on data described in Section 2.

Also, the sectoral sources of labor income vary markedly across the rural income distribution. As Figure 12a shows, in 2023 the poorest rural households drew most of their labor income from agriculture—about 60% in the lowest deciles, with roughly half of all labor income coming from agricultural self-employment alone—while better-off households relied increasingly on non-agricultural wages. The three main sources trace distinct patterns. The share of labor income derived from agricultural self-employment is largest among the poorest households and declines steadily as income rises. The share from agricultural wages follows an inverted U shape, rising through the lower-middle deciles before falling toward the top. The share from non-agricultural wages, in turn, rises steadily with income. The poorest households are thus the most agriculture-dependent and the least diversified. Read together with the reallocation out of agriculture over time, this gradient shows that non-agricultural wage employment is much less prevalent among households at the bottom of the rural income distribution. This does not imply that moving out of agriculture leads to better outcomes—as Section 4 showed, non-agricultural employment remains largely informal and poorly paid—but it does highlight a strong association between household position in the income distribution and the extent of reliance on non-agricultural wage work.

As expected, agricultural households rely more heavily on agricultural income. As Figure 12b shows, households in the lowest deciles derive about three-quarters of their labor income from agricultural self-employment. Agricultural wages gain importance through the lower-middle deciles, while agricultural self-employment becomes more prominent again

toward the top of the distribution. Non-agricultural labor income increases with income but remains a secondary source even among better-off agricultural households. Thus, among agricultural households, variation across the income distribution mainly reflects changes in the mix of agricultural self-employment and wage work, rather than a broad shift toward non-agricultural sources of labor income.

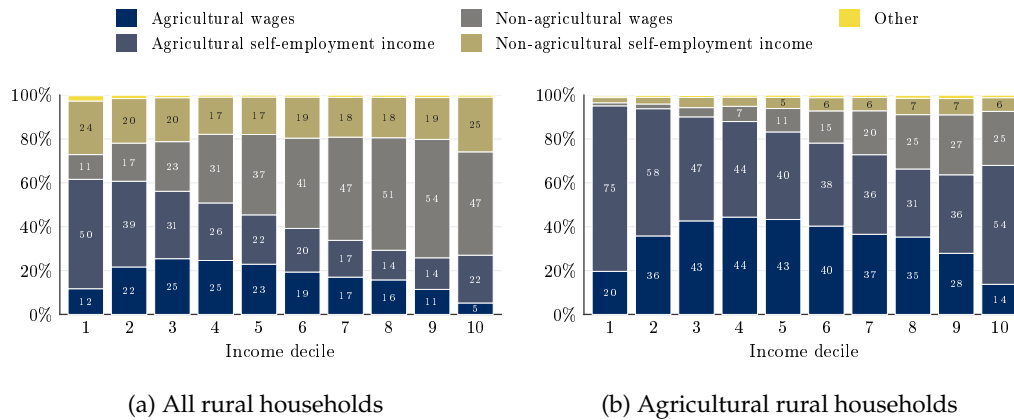


FIGURE 12 Composition of rural household labor income across the income distribution. Average for Latin America, 2023. *Notes:* The disaggregation corresponds to deciles of total household income calculated at the national level. On average across the 14 countries, the first four deciles include 53% 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. *Source:* Authors, based on data described in Section 2.

5.4 | Non-monetary labor income and partial market integration

Non-monetary labor income provides an additional window into rural vulnerability. It includes in-kind payments and the own-consumption of goods produced by the household, and is particularly relevant in rural areas, where it can supplement limited monetary earnings while also indicating greater reliance on non-market production.

Non-monetary labor income is a small share of total household income on average, but it is relatively more important in rural settings and varies substantially across household types. As Figure 10a showed, it accounts for about 2% of total household income in urban households, 5% in rural households, and around 6% among agricultural households. These averages, however, mask substantial heterogeneity across the income distribution.

Figure 13 traces this heterogeneity, reporting the share of non-monetary income within labor income by decile, for all rural households (panel a) and for agricultural households (panel b). In both, the share is far higher at the bottom: among rural households it accounts for about 13% of labor income in the first decile and 10% in the second, and among agricultural households for 17% and 12%, respectively. It then declines steadily across the distribution. Differences across household types also extend to the sectoral composition of non-monetary income: among agricultural households it is almost entirely agricultural, consistent with the own-consumption of home production, whereas among rural households the non-agricultural component is relatively more important. Although the harmonized

surveys do not let us distinguish systematically between own-consumption and in-kind payments, country-specific evidence suggests that own-consumption accounts for most of it.

Thus, this pattern adds another dimension to the concentration of vulnerability documented above. Poorer rural households differ from better-off households not only in their income levels and in the greater concentration of their labor income in agricultural self-employment, but also in their heavier reliance on non-monetary income.

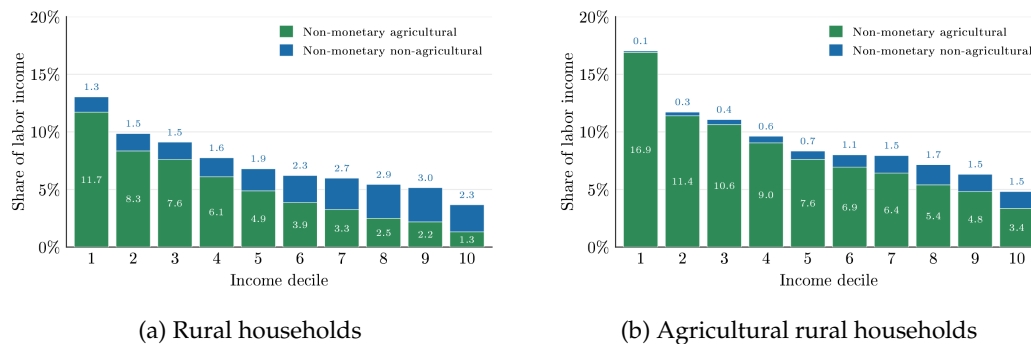


FIGURE 13 Non-monetary income as a share of labor income, by income decile. Average for Latin America, 2023. *Notes:* Data are disaggregated by deciles of total household income calculated at the national level. On average across the 14 countries, the first four deciles include 53% of rural households, 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 data described in Section 2.

6 | DISCUSSION: OUT OF AGRICULTURE, STILL VULNERABLE?

The evidence presented in the previous sections points to the persistent vulnerability of rural households, particularly those linked to agriculture. Living standards improved substantially over the past two decades and several rural–urban gaps narrowed, but important disparities remain. Rural poverty is still much higher than urban poverty, and agricultural households continue to be disproportionately represented among the rural poor, especially those relying on agricultural self-employment. Thus, despite considerable progress, the economic disadvantages associated with rural and agricultural livelihoods remain substantial.

At the same time, the distributional evidence suggests that poorer rural households have been less connected to the reallocation away from agriculture. They remain strongly concentrated in agricultural self-employment and rely much less on non-agricultural wage income than better-off rural households. In this sense, they appear to remain closer to the margin of the broader transformation in rural employment. Our evidence does not identify why this pattern persists, but it is consistent with mechanisms emphasized in the development literature. Frictions in land and credit markets, uninsured risk, and limited wage-employment opportunities in thin rural labor markets may all restrict the set of activities available to poorer households (Restuccia and Santaella-Llopis, 2023; Amodio et al., 2025). These mechanisms provide plausible explanations for the observed concentration of poorer households in agricultural self-employment.

Yet a central fact documented in this paper is that, at the aggregate level, rural em-

ployment has shifted substantially away from agriculture over the past two decades. The magnitude of this reallocation naturally raises a complementary question: what kinds of employment opportunities have expanded outside agriculture? Here the evidence is less encouraging.

Rural non-agricultural employment generally offers better conditions than agricultural employment, but it remains far from the standards observed in urban labor markets. Informality remains widespread, the occupational structure has experienced only limited upgrading, and earnings opportunities remain comparatively weak. The movement out of agriculture has therefore been associated with a change in the sectoral composition of rural employment without a comparable convergence in job quality. In this sense, persistent rural vulnerability is not only an agricultural phenomenon: it is also associated with the limited quality of many of the non-agricultural jobs available in rural labor markets.

This distinction helps place the evidence in the context of broader structural change. Sectoral reallocation may expand the range of activities available to rural workers, but movement across sectors and improvements in job quality are distinct margins. The patterns documented here suggest that both matter for understanding persistent rural vulnerability: poorer households remain more concentrated in agricultural self-employment, while employment outside agriculture often continues to be informal, relatively low paid, and less intensive in high-complexity occupations than urban employment. The lower returns to education observed in rural labor markets are consistent with the same picture, suggesting that improvements in human capital may translate only imperfectly into higher earnings when productive employment opportunities remain limited.

Public transfers have partly altered the way poorer rural households sustain their incomes, becoming an increasingly important component at the bottom of the distribution. But the broader pattern remains one in which improvements in household characteristics and substantial sectoral reallocation coexist with persistent weaknesses in labor income. The evidence therefore suggests that the remaining rural–urban divide cannot be understood solely by the continued importance of agriculture. It is also closely associated with the characteristics of the rural non-agricultural economy that has expanded alongside it.

7 | CONCLUSION

This paper has examined the persistence of economic vulnerability in rural Latin America against the backdrop of substantial changes in rural households and labor markets over the first quarter of the twenty-first century. The evidence reveals a striking contrast. Rural households improved along a broad set of observable characteristics, employment shifted markedly away from agriculture, and informality declined. Yet rural vulnerability remains high, and these transformations have not been accompanied by comparable improvements in the quality of employment or by a substantial closing of rural–urban gaps.

Agriculture remains closely associated with vulnerability, particularly through agricultural self-employment. At the same time, rural poverty is far from confined to agriculture: non-agricultural activities now employ the majority of rural workers, and non-agricultural households account for a substantial share of the rural poor. The expansion of employment outside agriculture has therefore changed the structure of rural economies without eliminating the conditions that sustain vulnerability. Non-agricultural rural jobs generally offer better conditions than agricultural jobs, but they remain substantially more informal, less intensive in high-complexity occupations, and lower paid than urban employment.

The evidence therefore suggests that moving out of agriculture is only part of the rural development challenge, as persistent vulnerability also reflects the limited quality of

employment opportunities outside agriculture. These limitations may be related to frictions such as thin rural labor markets, limited access to credit and other productive assets, and exposure to uninsured risk. Assessing the relative importance of these mechanisms remains an important avenue for future research. From a policy perspective, reducing rural vulnerability requires a broader focus than promoting movement out of agriculture alone. As rural economies become increasingly non-agricultural, policies that relax the constraints limiting the creation of and access to more productive, better-paid, and more formal jobs may be central to translating this transformation into more substantial improvements in the welfare of the rural population.

ACKNOWLEDGEMENTS

Part of the descriptive evidence in this paper appeared previously, in less detailed form, in Chapter 7 of CAF (2026), prepared by the same research team. The present paper substantially extends that analysis in scope, detail, and interpretation. We thank Karen Macours, Diego Restuccia, Verónica Amarante, Pablo Brassiolo, Veronica Frisancho, and Juan Odriozola for valuable comments and suggestions on earlier versions, and Leonardo Gasparini, Jessica Bracco, Luis Laguinge, and Lucía Ramirez for their assistance with the processing of the harmonized household survey data at CEDLAS. The usual disclaimer applies.

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A | APPENDIX

TABLE A.1 Official Definitions of Rural Areas by Country

Country	Criterion Type	Rural Definition (Summary)
Bolivia	Population threshold	Localities with fewer than 2,000 inhabitants.
Brazil	Administrative	All areas outside the limits of municipal seats, district seats, and isolated urban areas.
Chile	Population threshold + Economic activity	Settlements with $\leq 1,000$ inhabitants; or 1,001–2,000 inhabitants where $>50\%$ of the working population is engaged in primary activities.
Colombia	Administrative + Settlement type	Includes populated centers (≥ 20 contiguous dwellings outside municipal seats) and dispersed rural areas.
Costa Rica	Multi-criteria (physical/functional)	Areas outside urban quadrants; includes concentrated rural (≥ 50 dwellings, some services) and dispersed rural.
Dominican Republic	Administrative	Population not residing in municipal or district municipal seats.
Ecuador	Administrative	Population in rural parishes (parish seat and rest of parish); also the urban periphery of provincial capitals.
El Salvador	Administrative	Population residing outside the limits of municipal seats; generally dispersed.
Guatemala	Population threshold + Services	All areas not classified as urban. Urban requires $>2,000$ inhabitants and $\geq 51\%$ of households with electricity and piped water.
Honduras	Population threshold + Services	Localities not meeting urban criteria: $<2,000$ inhabitants or lacking piped water, road access, full primary school, mail/telegraph, and at least one of electricity, sewage, or health center.
Mexico	Population threshold	Localities with fewer than 2,500 inhabitants.
Nicaragua	Population threshold + Urban structure	Localities with fewer than 1,000 inhabitants and no urban infrastructure (paved streets, electricity, commercial/industrial establishments).
Panama	Population threshold + Services	All areas not classified as urban. Urban requires $\geq 1,500$ inhabitants with electricity, water, sewage, paved streets, and secondary school.
Paraguay	Administrative + Settlement pattern	Areas outside district seats, with dispersed dwellings typically surrounded by crops and fields.
Peru	Population threshold (dwellings)	Populated centers with fewer than 400 dwellings.
Uruguay	Settlement pattern + Services	Areas not classified as block-grid urban settlements. Considers piped water, terrain, contiguous areas, and other essential services.

Notes: The definition of rural areas follows the official criteria established by each country's national statistical office. These criteria typically rely on combinations of population thresholds, administrative status, settlement characteristics, and, in some cases, economic activity or access to services.

TABLE A.2 ISCO Occupation Data Availability by Country and Year

Country	2003	2008	2013	2018	2023	Total
Bolivia	✓	✓	✓	✓	✓	5
Brazil			✓	✓	✓	3
Chile		✓	✓	✓	✓	4
Colombia		✓	✓	✓		3
Costa Rica				✓	✓	2
Ecuador	✓	✓	✓	✓	✓	5
El Salvador				✓	✓	2
Honduras				✓	✓	2
Mexico			✓	✓	✓	3
Panama	✓	✓	✓	✓	✓	5
Paraguay	✓	✓	✓	✓	✓	5
Peru	✓	✓	✓	✓	✓	5
Dominican Republic				✓	✓	2
Uruguay		✓	✓	✓	✓	4

Notes: ✓ indicates availability of ISCO occupation data in the harmonized SEDLAC household survey for the given country and year. Mexico 2003 and 2008 are excluded due to absence of valid ISCO codes.

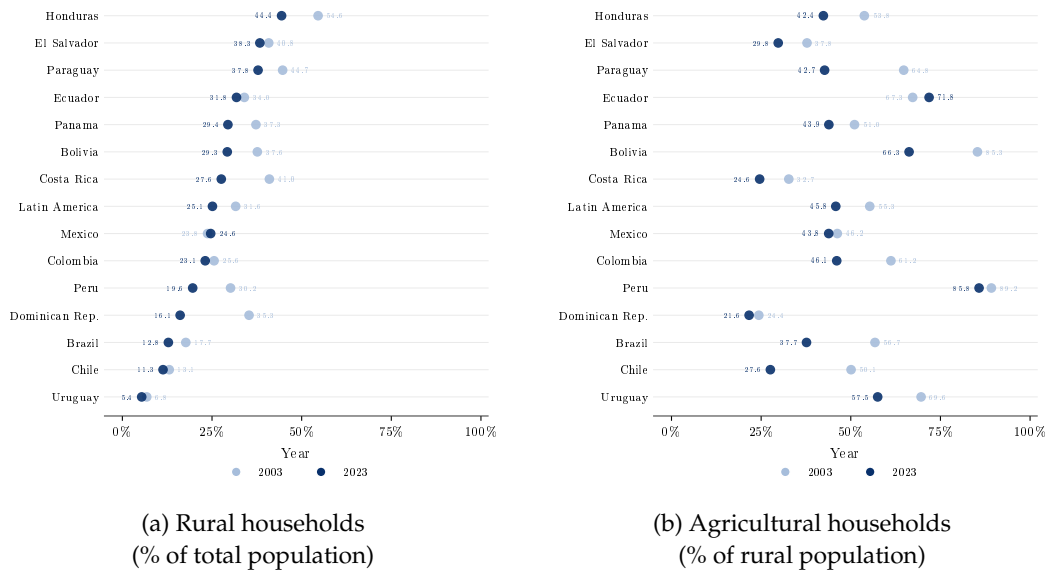


FIGURE A.1 Shares of the population in rural and agricultural households by country, 2003 vs 2023 *Notes:* Panel (a) shows the share of the population living in rural households. Panel (b) shows the share of the rural population living in agricultural households. Countries are sorted by the most recent value. Grey points correspond to the earlier year and coloured points to the most recent year. *Source:* Authors, based on data described in Section 2.

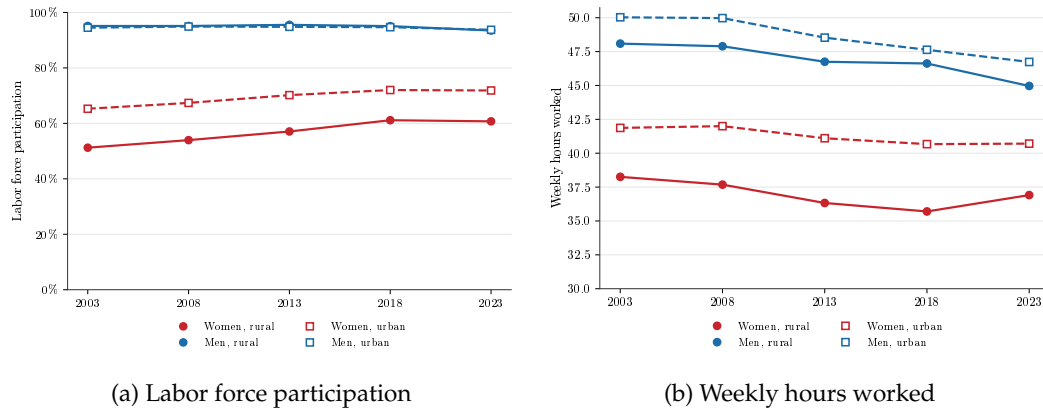


FIGURE A.2 Rural labor supply by gender. Average for Latin America, 2003–2023. *Notes:* Indicators are computed for the working-age population. Rural areas shown with solid lines, urban areas with dashed lines. *Source:* Authors, based on data described in Section 2.

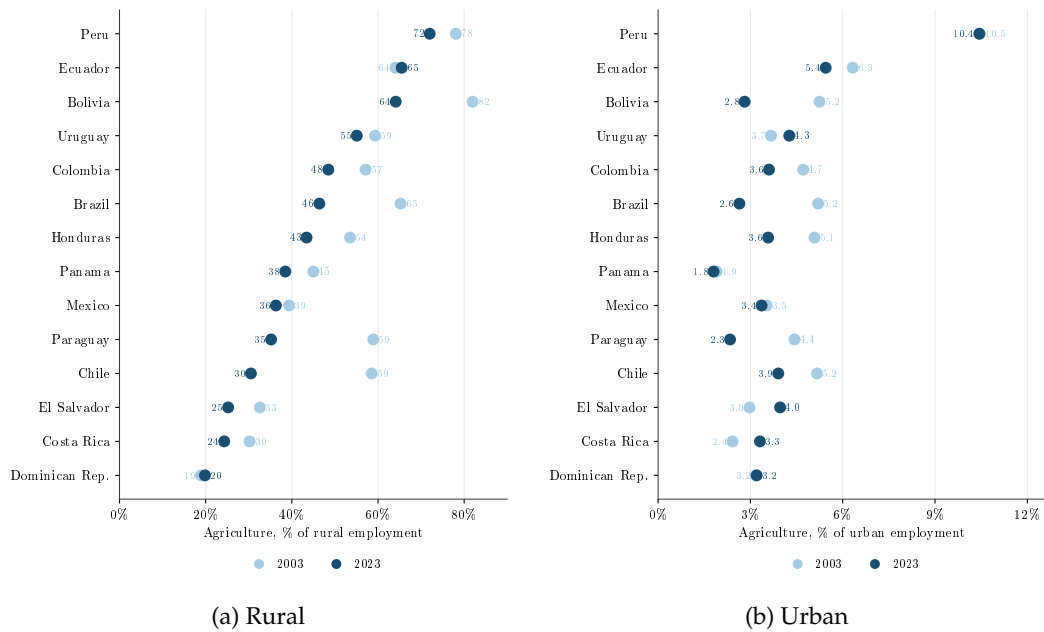


FIGURE A.3 Agricultural employment share by country, 2003-2023. *Notes:* Agricultural-sector employment as a share of rural (panel a) and urban (panel b) employment. Survey years are the first and latest available per country. *Source:* Authors, based on data described in Section 2.

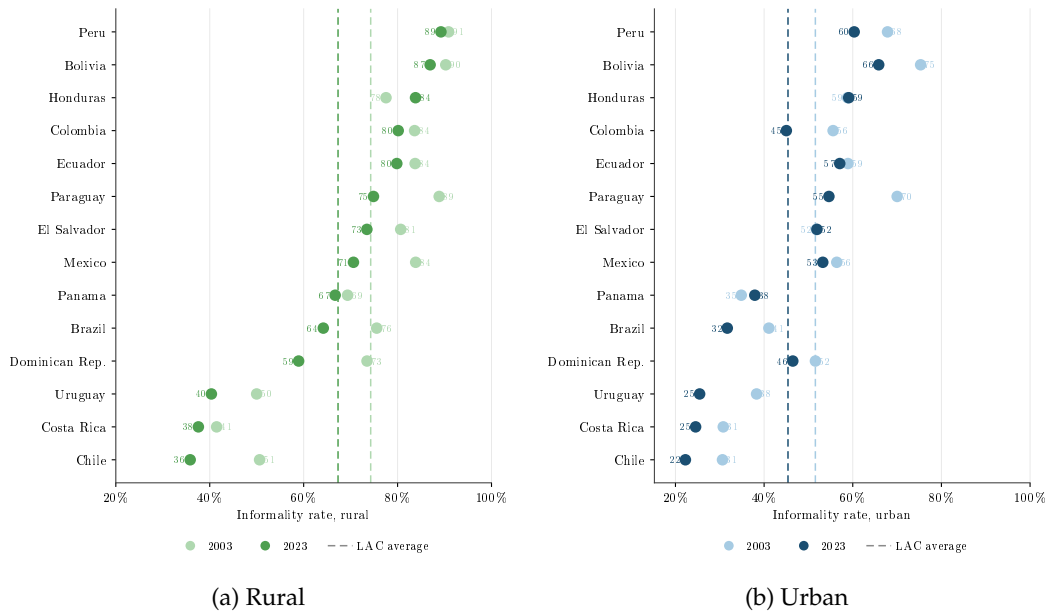
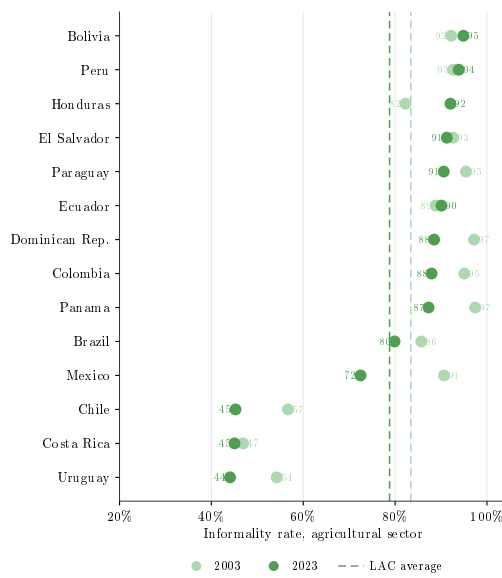
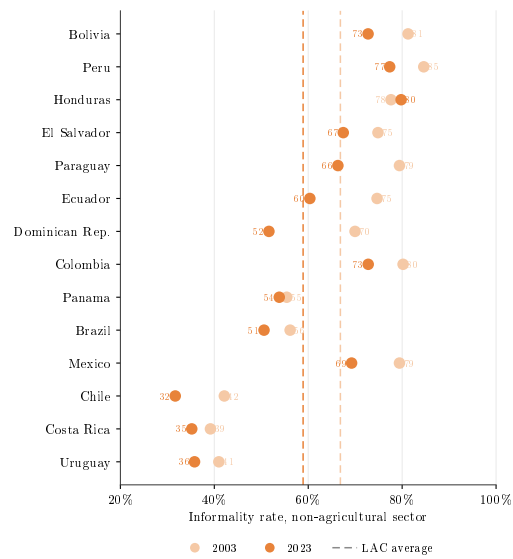


FIGURE A.4 Labor informality by area and country, 2003 vs 2023. *Notes:* Population aged 25–54. Dashed lines are the (unweighted) average across the countries shown. Survey years are the first and latest available per country. *Source:* Authors, based on data described in Section 2.



(a) Rural agricultural



(b) Rural non-agricultural

FIGURE A.5 Rural Labor informality by sector and country, 2003 vs 2023. *Notes:* Population aged 25–54. Informality includes unregistered wage workers, non-professional self-employed, and unpaid workers. Dashed lines are the LAC averages. *Source:* Authors, based on data described in Section 2.

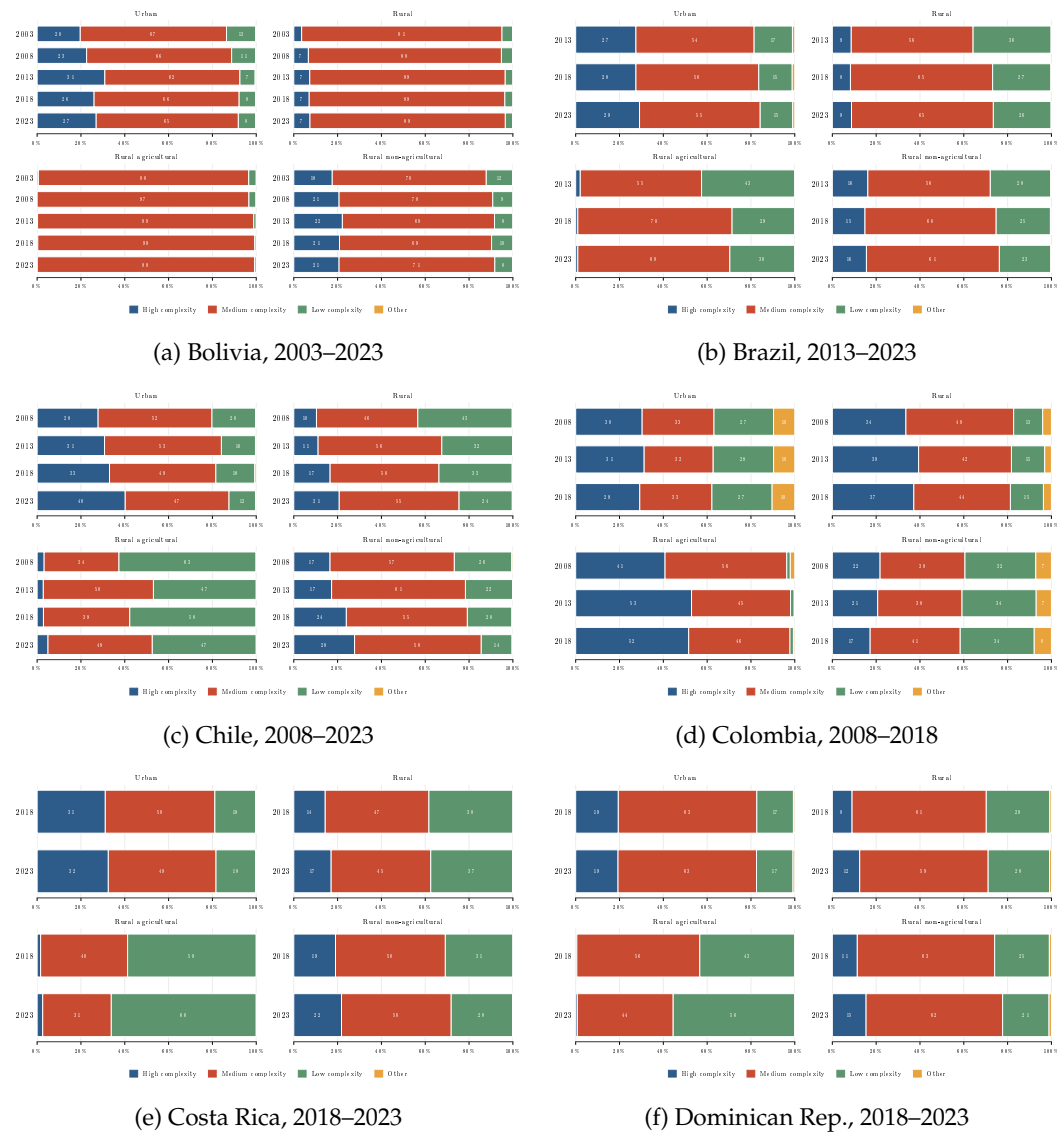


FIGURE A.6 Occupational structure by complexity of occupation, by country (Part 1 of 3). *Notes:* Within each country, the four panels show the urban, rural, rural agricultural, and rural non-agricultural segments; bars add to 100%. Occupational categories follow the ISCO-08 one-digit classification grouped by complexity: high (ISCO 1–3), medium (ISCO 4–8), low (elementary occupations, ISCO 9), and other (armed forces and non-classified). *Source:* Authors, based on data described in Section 2.



FIGURE A.7 Occupational structure by complexity of occupation, by country (Part 2 of 3). *Notes:* Within each country, the four panels show the urban, rural, rural agricultural, and rural non-agricultural segments; bars add to 100%. Occupational categories follow the ISCO-08 one-digit classification grouped by complexity: high (ISCO 1–3), medium (ISCO 4–8), low (elementary occupations, ISCO 9), and other (armed forces and non-classified). *Source:* Authors, based on data described in Section 2.

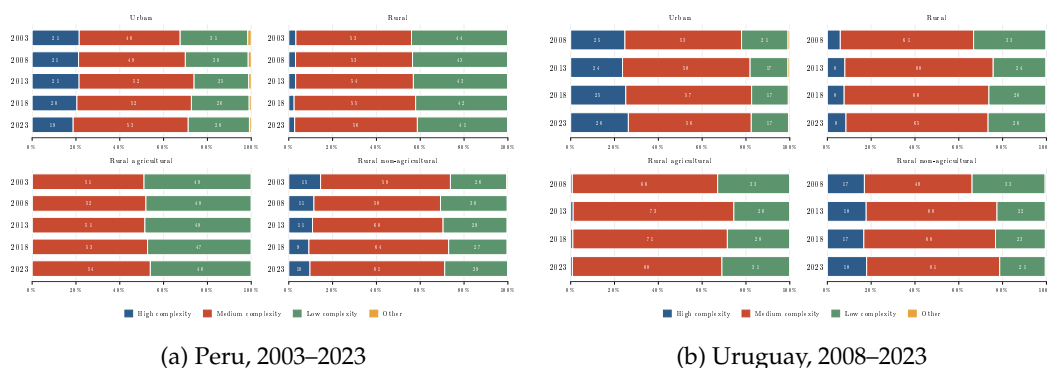


FIGURE A.8 Occupational structure by complexity of occupation, by country (Part 3 of 3). *Notes:* Within each country, the four panels show the urban, rural, rural agricultural, and rural non-agricultural segments; bars add to 100%. Occupational categories follow the ISCO-08 one-digit classification grouped by complexity: high (ISCO 1–3), medium (ISCO 4–8), low (elementary occupations, ISCO 9), and other (armed forces and non-classified). *Source:* Authors, based on data described in Section 2.

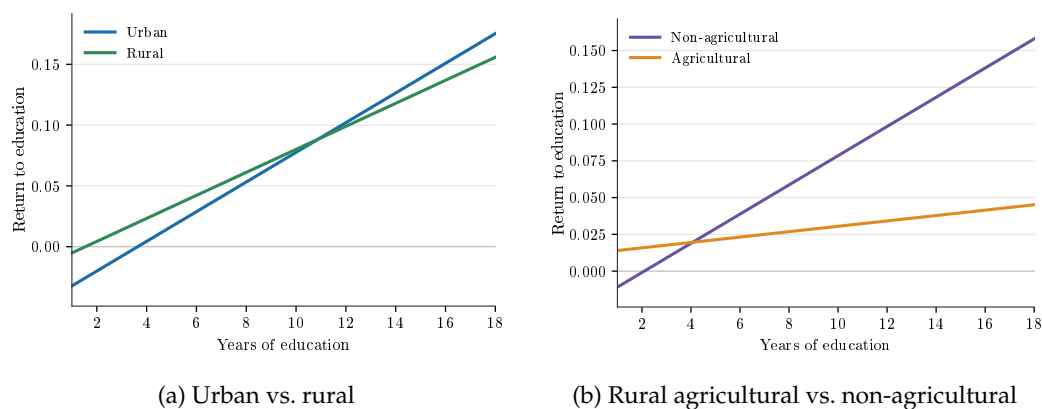
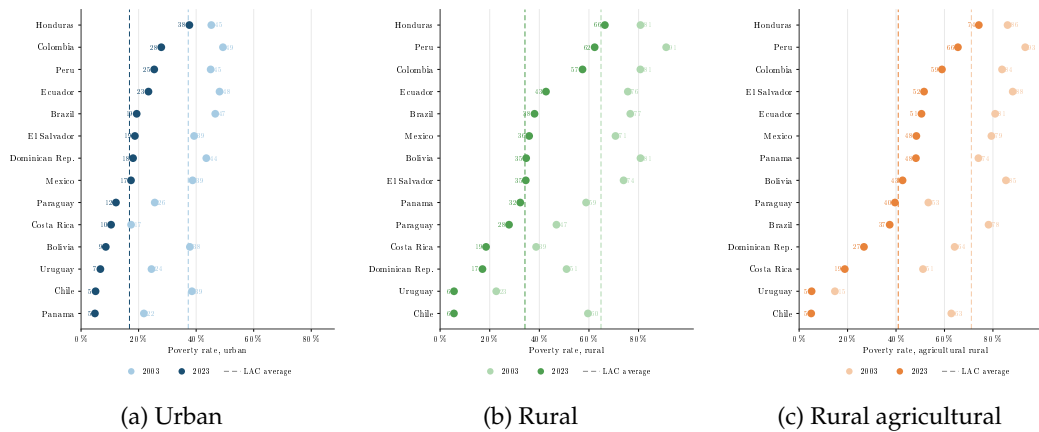


FIGURE A.9 Marginal returns to years of education. Average for Latin America, 2023. *Notes:* Marginal return to an additional year of education, by education level, estimated from Mincer regressions for individuals aged 25–54, in which log hourly earnings are explained by years of education and its square, with age and gender controls. Panel A adds a rural indicator interacted with education and its square. Panel B restricts the sample to rural workers and adds an indicator for the agricultural sector, with the corresponding interactions. *Source:* Authors, based on data described in Section 2.

TABLE A.3 Characteristics of employed workers aged 25–54, by area. Average Latin America, 2003 and 2023

	2003			2023		
	Urban	Rural	R/U	Urban	Rural	R/U
Male (%)	56.8	66.6	1.17	54.5	61.0	1.12
Average age	37.9	37.9	1.00	38.7	39.2	1.01
Secondary education completed or more (%)	47.3	13.5	0.29	63.6	33.7	0.53
Average years of schooling	9.9	5.6	0.57	11.4	8.3	0.73
Informal (%)	61.2	81.3	1.33	46.8	67.5	1.44
Poverty rate (%)	27.7	59.2	2.14	10.7	27.4	2.57

Notes: Simple averages across 14 Latin American countries, employed individuals aged 25–54. R/U is the rural-to-urban ratio. Informality follows the extended definition in Section 2; poverty uses the US\$6.85 PPP per-person-per-day line. *Source:* Authors, based on data described in Section 2.

**FIGURE A.10** Poverty rate by country and area, 2003 vs. 2023. *Notes:* Poverty is the share of people in households with income below USD 6.85 per person per day (2017 PPP). Countries are sorted by their 2023 value; light points are 2003 and dark points 2023. Dashed lines are the (unweighted) LAC average. *Source:* Authors, based on data described in Section 2.

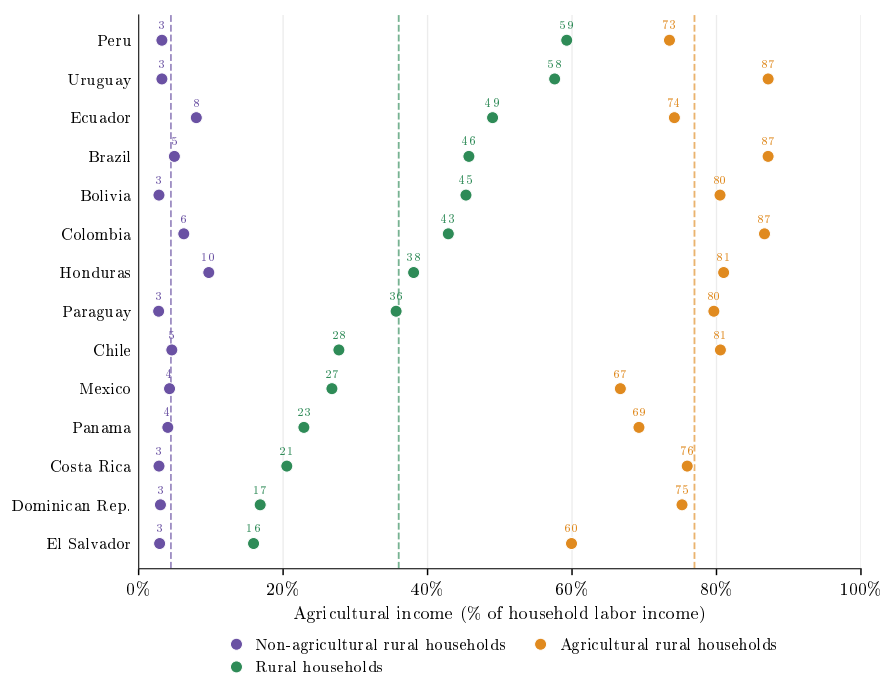


FIGURE A.11 Agricultural income as a share of household labor income, by country and household type, 2023 *Notes:* Share of household labor income originating in agricultural activities, by household type. Labor income includes both monetary and non-monetary components, from primary and secondary occupations. Dashed lines are the unweighted averages across the 14 countries *Source:* Authors, based on data described in Section 2.