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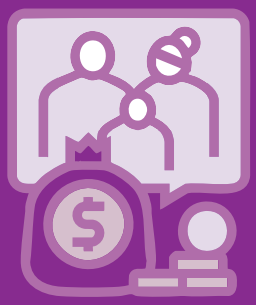


Regional Poverty and Inequality Update Latin America and the Caribbean

October 2025[1]

Poverty and Equity Global Practice

Main Messages

- Poverty in Latin America and the Caribbean (LAC) is projected to fall to 25.2 percent in 2025, with Brazil and Mexico contributing to most of this decline.
- The middle class is projected to reach 42.8 percent by the end of 2025, which would be its highest level in history.
- Vulnerability to poverty has maintained a steady level at 32 percent, with the vulnerable population in the Caribbean region being larger (36 percent) than in the rest of LAC.
- These trends have been driven by increased employment and labor income growth across most countries, followed by contributions from public transfers.
- Despite recent progress, LAC countries lag behind their counterparts in more dynamic upper-middle-income regions in long-term poverty reduction and economic growth.
- Monetary poverty is persistent in LAC, with most poor households (between 58 and 76 percent) remaining poor from year to year, with higher rates in poorer countries.
- Despite persistent structural weaknesses in the labor market, including a declining education premium that constrains wage growth, job creation and shifts toward higher-skilled occupations have helped households raise their incomes over time.
- Looking ahead, global economic uncertainty and domestic challenges point to weaker growth and slower poverty reduction through 2027.
- Addressing these challenges will require policies to unlock job creation in strategic sectors through structural reforms in capital markets, infrastructure, and institutions, and to expand opportunities for workers to transition into higher-skilled occupations through higher educational attainment, strengthened skills systems, and reduced barriers to job transitions.

1 This brief summarizes recent facts related to poverty and inequality in Latin America and the Caribbean (LAC) using the new wave of harmonized household surveys from the Socio-Economic Database for LAC (SEDLAC). This brief was produced by the Poverty Global Practice in the LAC Region of the World Bank. The core team included Karen Barreto, Luis Eduardo Castellanos Rodríguez, and Catalina García García under the leadership of Diana Sanchez Castro and Hernán Winkler and the guidance of Carlos Rodríguez Castelan. Ana Carolina Leguizamo provided administrative assistance. The team thanks José Andrée Camarena, Gustavo Canavire, Otavio Canozzi, Jacobus De Hoop, Jonathan Lain, Gaston Marinelli, Hugo Ñopo, Anna Luisa Paffhausen, Lourdes Rodríguez, Yuri Yamashita, Guillermo Vuletin, and the staff from the LAC Poverty team for valuable inputs and comments. Contact: lac_stats@worldbank.org. Most of the data featured in this brief can be found at the LAC Equity Lab.

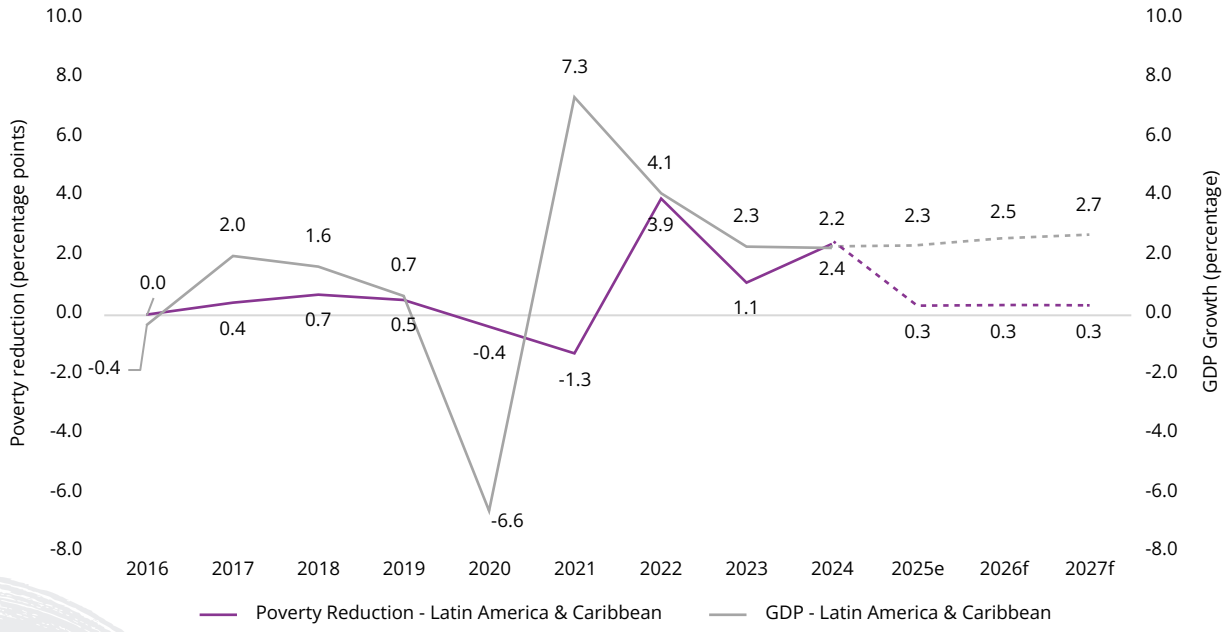
1. Regional macroeconomic and poverty trends

Gross domestic product (GDP) in Latin America and the Caribbean (LAC) grew by 2.2 percent in 2024, maintaining a pace similar to the previous year but remaining below that of most other regions.[2] Most economies in LAC expanded between 1.4 (Mexico) and 5.0 (Dominican Republic) percent. Argentina and Ecuador experienced contractions of 1.3 and 2.0 percent, respectively.

During 2024, the poverty rate at the upper-middle-income poverty line of $8.30 per day (2021 PPP) declined by 2.4 percentage points (p.p.) to 25.5 percent of the region's population, its lowest level recorded.[3] Positive labor market outcomes across most countries and increased public transfers in Brazil explain this larger-than-expected reduction in poverty.[4]

The regional outlook for 2025 remains uncertain, as LAC countries face persistent inflationary pressures, largely driven by the services sector. A slower pace of interest rate cuts is prolonging financial stress for households and firms, while elevated budget deficits and debt service obligations are constraining fiscal space for investing in social infrastructure and expanding social protection programs. Trade policy uncertainty continues to disrupt supply chains and increase import costs, while foreign direct investment inflows have declined sharply across the region, particularly in Southern Cone economies. As a result, economic growth is expected to remain below global averages during the 2025–2027 period, and the pace of poverty reduction is expected to slow down significantly to just 0.3 p.p. per year, resulting in a poverty level of 25.2 percent in 2025 (figure 1).

Figure 1 Poverty Reduction and GDP Growth in LAC, 2016–27



Sources: SEDLAC (CEDLAS and World Bank), available at LAC Equity LAB and World Bank's Macro Poverty Outlook (Annual Meetings 2025 edition).
Note: LAC poverty data based on 18 countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, and Uruguay. In cases where data were unavailable, values have been estimated using microsimulations and then pooled to create regional estimates. Poverty reduction is calculated as the percentage change in poverty rates multiplied by -1 using the international poverty line of $8.30 per day, 2021 PPP. Positive values indicate poverty reduction. e = estimate; f = forecast

2 The macroeconomic analysis is based on Maloney et al. (2025).

3 The upper-middle-income poverty line was updated in June 2025 using the new 2021 PPPs; see appendix B for more details.

4 In October 2024, the poverty decline between 2022 and 2024 was initially forecast at 1.3 percentage points, significantly below the actual decline of 3.5 percentage points observed during that period, as documented here.

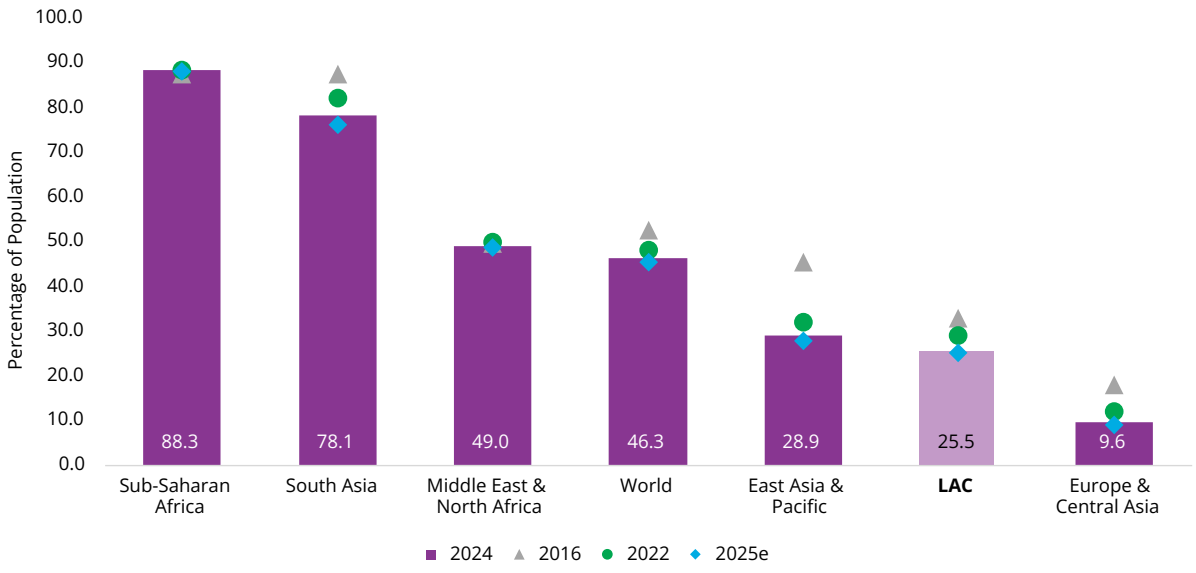
2. Poverty, Vulnerability, and the Middle Class

LAC maintains the second-lowest regional poverty rate globally at the poverty line of $8.30 per day, with only Europe and Central Asia performing better, at 9.6 percent in 2024. However, LAC's poverty reduction has slowed down over the past fifteen years, particularly when compared to East Asia and the Pacific (EAP) (figure 2). In 2010, EAP's poverty rate was nearly 30 p.p. higher than LAC's (67.5 percent versus 39.6 percent). By 2022, the poverty levels of the two regions had converged, highlighting LAC's sluggish progress.

This divergence reflects differences in economic growth trajectories. Between 2016 and 2024, LAC experienced the weakest economic expansion globally, averaging just 1.6 percent annually, significantly below the 2.7 percent global average. Every other region outperformed LAC, ranging from Sub-Saharan Africa with a rate of 2.0 percent to South Asia and EAP, which saw more robust growth rates of 5.1 and 5.3 percent, respectively.

Recent trends show a significant improvement for LAC. Since 2022, poverty has declined faster in LAC than in most other regions, reaching its lowest point this century. At the poverty line of $8.30 per day, poverty dropped 2.4 p.p. between 2023 and 2024 to 25.5 percent, the fastest decline globally. Our nowcasting model indicates a slight decrease to 25.2 percent in 2025.[5]

Figure 2 Poverty Rate, $8.30 per Day (2021 PPP), by World Region for Selected Years, 2016–25



Sources: SEDLAC (CEDLAS and World Bank) and World Bank Poverty and Inequality Platform (PIP).
Note: LAC aggregate based on 18 countries with available SEDLAC microdata. In cases where data were unavailable, values have been estimated using microsimulations and then pooled to create regional estimates. For non-LAC regions, 2024–2025 values are estimated by the PIP nowcasting model.
e = estimate.

Poverty reduction between 2022 and 2024 was common across LAC countries, though concentrated in the region's largest economies. Brazil and Mexico drove most of the decline, with poverty falling in those countries by 4.7 and 5.7 p.p., respectively (table 1). Other notable reductions were seen in the Dominican Republic (-6.2 p.p.), Paraguay (-5.3 p.p.), Costa Rica (-4.5 p.p.), and Colombia (-3.2 p.p.).

5 The nowcasting model follows Montoya, Olivieri, and Braga (2023).

Table 1 Poverty Changes in LAC and Subregions, 2022–24

Country/Subregion	International Poverty Rate $3.00 per day			Lower-Middle-Income Poverty Rate $4.20 per day			Upper-Middle-Income Poverty Rate $8.30 per day		
	2022	2024	Change (p.p.)	2022	2024	Change (p.p.)	2022	2024	Change (p.p.)
Brazil	4.9	3.0	-1.9	8.5	6.2	-2.3	25.3	20.6	-4.7
Mexico	2.3	1.7	-0.6	5.7	4.2	-1.5	27.4	21.7	-5.7
Andean Subregion	6.6	6.8	0.2	12.2	12.1	-0.1	35.8	34.0	-1.8
Central America Subregion	8.0	7.3	-0.7	14.1	12.6	-1.5	36.8	34.3	-2.5
Southern Cone Subregion	1.2	0.9	-0.3	2.6	2.2	-0.4	12.1	12.0	-0.1
LAC	5.8	4.9	-0.9	9.9	8.6	-1.3	29.0	25.5	-3.5

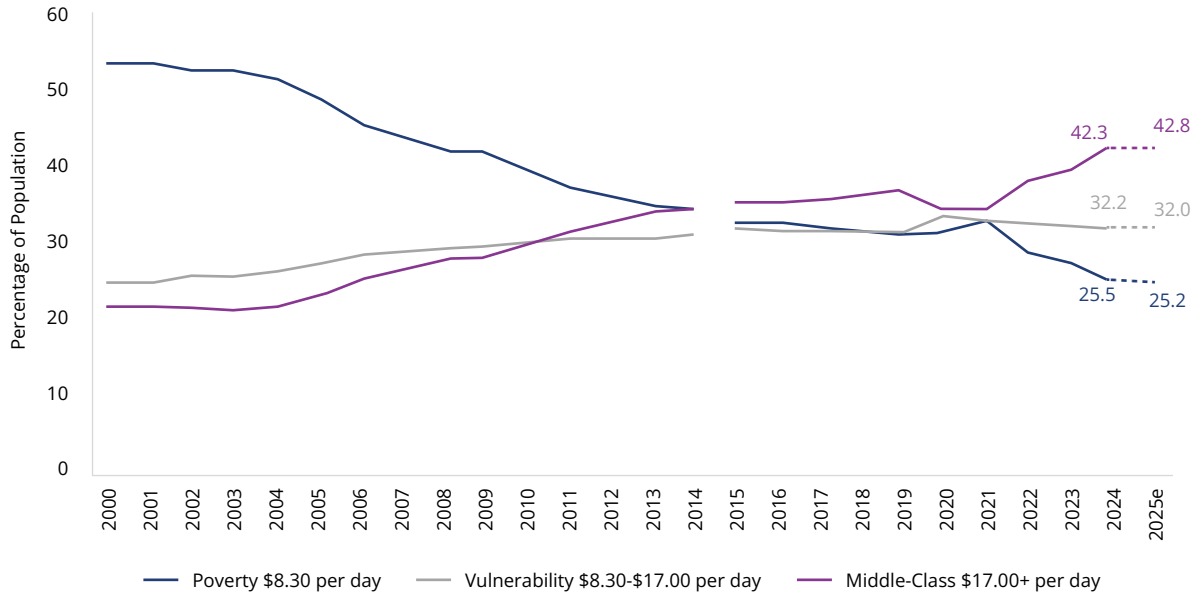
Source: SEDLAC (CEDLAS and World Bank).
Note: LAC aggregate based on 18 countries with available SEDLAC microdata. In cases where data were unavailable, values have been estimated using microsimulations and then pooled to create regional estimates. Andean Subregion: Bolivia, Colombia, Ecuador, and Peru; Central America Subregion: Costa Rica, Guatemala, Honduras, Nicaragua, Panama, El Salvador, and Dominican Republic. Southern Cone Subregion: Argentina, Chile, Paraguay, and Uruguay. Brazil and Mexico 2024 data are preliminary. Complete country data are presented in table C1.

Vulnerability and Middle-Class Trends

The vulnerability line, which was recently updated to $17.00 per day (2021 PPP), separates non-poor households into those who are vulnerable (facing a high probability of falling into poverty) and those in the middle class (with a low probability of falling into poverty).[6]

The share of vulnerable people in LAC increased steadily during 2000–14. In the last decade, the vulnerable class has remained relatively stable at around 32 percent. The middle class has continued to grow, increasing from 35.5 percent of the population in 2016 to 42.3 percent in 2024 (figure 3).

Figure 3 Poverty, Vulnerability, and Middle-Class Trends in LAC, 2000-25 (2021 PPP)



Source: SEDLAC (CEDLAS and World Bank).
Note: The LAC aggregate is based on 18 countries with available SEDLAC microdata. When data were unavailable, values were estimated using microsimulations and then pooled to create regional estimates. The break in the LAC-18 series from 2014 onward is due to methodological changes in Mexico's household survey in 2016.

6 Appendix B describes the methodology.

The size of the vulnerable and the middle class varies across countries: Uruguay and Chile show the lowest vulnerability rates (20.4 percent in 2024 and 26.8 percent in 2022, respectively) alongside the highest middle-class rates (73.7 and 67.5 percent, respectively), while countries like El Salvador and Peru exhibit higher vulnerability rates (40.2 and 39.4 percent, respectively) with smaller middle classes (29.9 and 24.4 percent, respectively). In the Caribbean, more than one-third of the population (except in Saint Lucia) is vulnerable (figure 4). This economic insecurity is fundamental considering the Caribbean's exposure to weather-related shocks: over three-quarters of households in Suriname, Belize, and Saint Lucia report exposure to disaster risks.[7]

Between 2022 and 2024, LAC's middle-class expansion has been particularly pronounced in the Dominican Republic and Costa Rica, with remarkable gains of 13.8 and 8.9 p.p., respectively. The region's largest economies, Brazil and Mexico, contributed significantly to regional progress, with middle-class expansions of 5.5 and 6.4 p.p., respectively. In the Caribbean, the middle class increased modestly from 44.7 to 46 percent, with poverty declining by 0.9 p.p.. However, it should be noted that these estimates are based on projections given the limited availability of recent survey data.

Table 2 Poverty, Vulnerability, and Middle-Class Rates in LAC and Subregions, 2022–24

Country/Subregion	Upper Middle-Income Poverty Rate ($8.30 per day)			Vulnerability Rate ($8.30-$17.00 per day)			Middle-Class Rate ($17.00+ per day)		
	2022	2024	Change (p.p.)	2022	2024	Change (p.p.)	2022	2024	Change (p.p.)
Brazil	25.3	20.6	-4.7	30.5	29.6	-0.9	44.2	49.7	5.5
Mexico	27.4	21.7	-5.7	39.4	38.7	-0.7	33.2	39.6	6.4
Andean Subregion	35.8	34.0	-1.8	33.5	33.6	0.1	30.7	32.4	1.7
Central America Subregion	36.8	34.3	-2.5	33.8	32.6	-1.2	29.4	33.1	3.7
Southern Cone Subregion	12.1	12.0	-0.1	29.5	28.6	-0.9	58.4	59.4	1.0
LAC-18	29.0	25.5	-3.5	32.8	32.2	-0.6	38.2	42.3	4.1
Caribbean	19.2	18.3	-0.9	36.1	35.7	-0.4	44.7	46.0	1.3

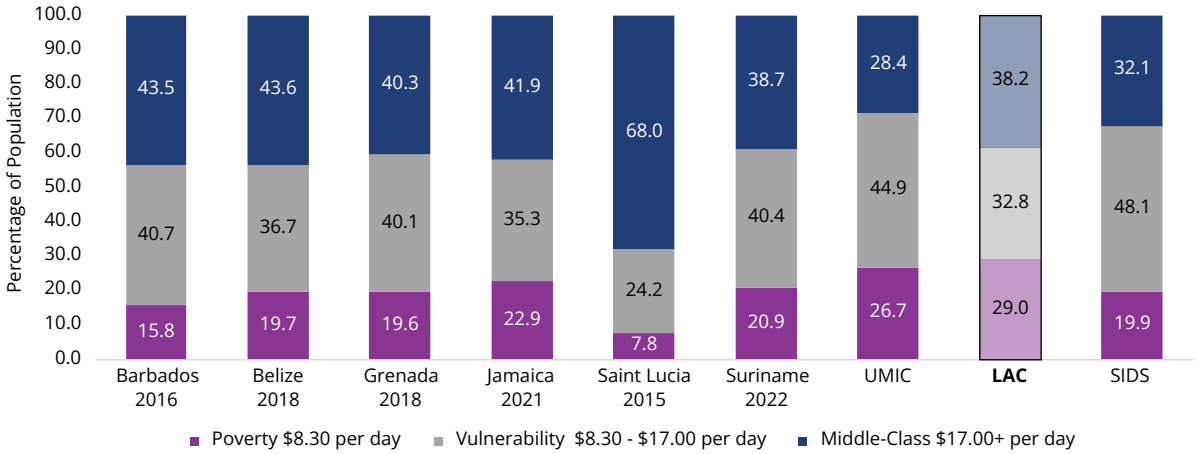
Source: SEDLAC (CEDLAS and World Bank).
Note: LAC aggregate based on 18 countries with available SEDLAC microdata. In cases where data were unavailable, values have been estimated using microsimulations and then pooled to create regional estimates. Subregions definitions as in table 1. Brazil and Mexico 2024 data are preliminary. Caribbean figures are based on six countries with available consumption microdata: Barbados (2016), Belize (2018), Grenada (2018), Jamaica (2021), Saint Lucia (2015), and Suriname (2022). The Caribbean estimates were projected to 2022 and 2024 using neutral distribution based on GDP growth (see Macro Poverty Outlook for methodological details) and then aggregated as a population-weighted average.

Poverty, Vulnerability, and Middle Class in the Caribbean

Recently harmonized consumption data from six countries (Barbados, Belize, Jamaica, Grenada, Saint Lucia, and Suriname) indicate that poverty rates in the Caribbean are generally below the upper-middle-income countries (UMIC) and LAC averages, in line with their relatively high GDP per capita. Poverty rates at $8.30 per day range from 7.8 percent in Saint Lucia to 22.9 percent in Jamaica (figure 4).

7 The analysis focused on the Caribbean is based on World Bank (forthcoming) and Anglade et al. (2024).

Figure 4 Poverty, Vulnerability, and Middle Class in the Caribbean



Sources: Caribbean Consumption-Based Harmonization (CONLAC) for the six Caribbean countries; SEDLAC for LAC (2022); and PIP for UMIC and SIDS (2022).
Note: For Caribbean countries, Barbados used the BSLC 2016 survey, Belize used the HBS 2018 survey, Grenada used the SLCHB 2018 survey, Jamaica used the JSLC survey 2021, Saint Lucia used the SLCHBS 2015 survey, and Suriname used the SSLC 2022 survey. Small Island Developing States (SIDS), all consumption-based, consist of Fiji (2019), Mauritius (2017), Seychelles (2018), Maldives (2019), Marshall Islands (2019), Tuvalu (2010), Tonga (2021), Nauru (2012), and the Dominican Republic (2022).

3. Poverty, Vulnerability, and Middle-Class Profiles

Children bear a disproportionate burden of poverty in LAC, while older adults are significantly better off. More than one in three people living in poverty are under 18 years old, a ratio unchanged over the past decade, and children represent only 13 percent of the middle class (table 3). The pattern reverses for older populations: the elderly comprise 15.5 percent of the middle class but just 5.6 percent of those in poverty, likely reflecting their greater asset accumulation and pension income over time.

Educational attainment in LAC has risen substantially across all income groups between 2016 and 2024, with the most pronounced gains occurring among the poor. The share of individuals with at least a high school diploma increased by 3.4 and 4.4 p.p. among the middle class and vulnerable groups, respectively, compared to 5.8 p.p. among the poor. However, these educational gains have not translated into proportionate income improvements due to declining returns to education in the labor market, which have reduced wage growth (World Bank 2025b). While human capital is essential for long-term mobility, labor market conditions have prevented the poor from reaping the full economic benefits of their educational progress, highlighting a disconnect between educational achievement and income gains in the region (Neidhöfer, Ciaschi, and Gasparini 2022).

Labor market informality, measured as the share of workers without pension contributions, has either increased or remained unchanged across socioeconomic groups in the region between 2016 and 2024. Among the poor, 8 out of 10 workers hold informal jobs, compared to one-third among the middle class. Informal employment is generally linked to lower productivity, limited benefits, and weaker social protection mechanisms, contributing to a vicious cycle of poverty and poor-quality jobs. In addition, economic development and poverty reduction go hand in hand with a shift from self-employment to salaried work. However, the share of salaried workers remained stagnant and even declined among the poor between 2016 and 2024 in LAC.

Table 3 Socioeconomic Profiles of the Poor, Vulnerable, and Middle Class in LAC, 2016–24 (percentage)

	International Poverty Rate $8.30 per day		Vulnerability Rate $8.30–$17.00 per day		Middle-Class Rate $17.00+ per day	
	2016	2024	2016	2024	2016	2024
Age groups						
0–14	37.0	36.0	25.4	24.7	14.5	12.9
15–64	58.2	58.5	67.3	66.8	72.7	71.6
65+	4.8	5.6	7.3	8.5	12.9	15.5
Total	**100**	**100**	**100**	**100**	**100**	**100**
Education (a)						
Low education	65.4	59.6	50.0	45.6	33.4	30.0
High education	34.6	40.4	50.0	54.4	66.6	70.0
Total	**100**	**100**	**100**	**100**	**100**	**100**

	International Poverty Rate $8.30 per day		Vulnerability Rate $8.30–$17.00 per day		Middle-Class Rate $17.00+ per day	
	2016	2024	2016	2024	2016	2024
Informality (b)						
Informal workers (c)	80.4	83.4	54.8	58.6	31.9	32.4
Formal workers	19.6	16.6	45.2	41.4	68.1	67.6
Total	**100**	**100**	**100**	**100**	**100**	**100**
Type of employment						
Employer	4.4	4.5	3.1	3.2	6.2	5.2
Salaried worker	43.9	42.5	63.5	63.6	69.4	70.7
Self-employed	28.9	31.5	21.7	23.2	18.6	19.7
Unemployed or unpaid worker	22.8	21.5	11.7	10.0	5.9	4.3
Total	**100**	**100**	**100**	**100**	**100**	**100**

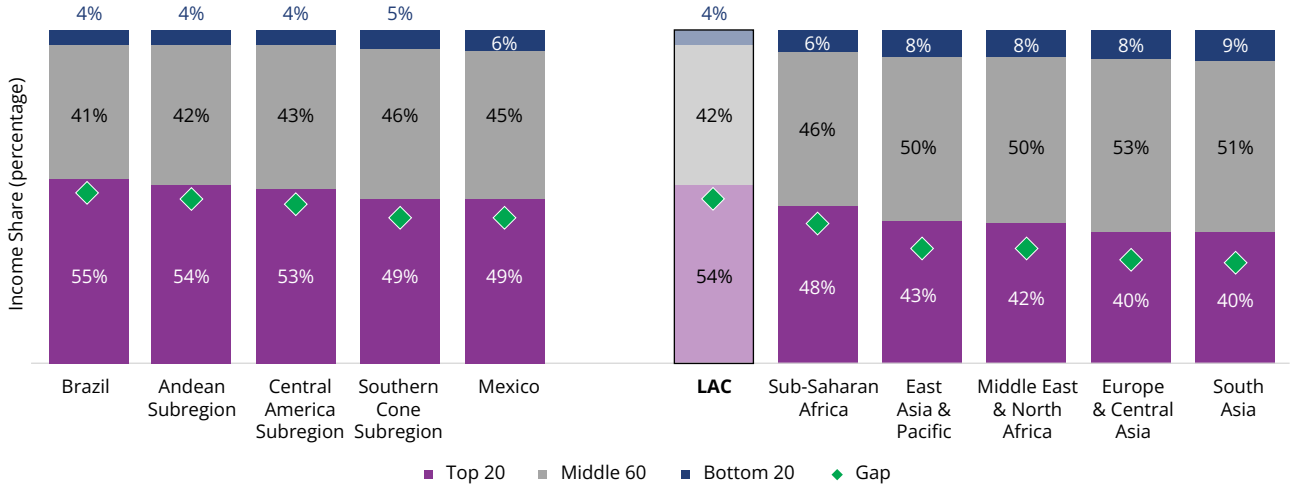
Source: SEDLAC (CEDLAS and World Bank).
Note: LAC aggregate based on 18 countries with available microdata. In cases where data were unavailable, values have been estimated using microsimulations and then pooled to create regional estimates. (a) Low education: no formal education or completed primary education; high education: completed secondary or tertiary education. (b) Working people aged 15–64 years. (c) Workers without work-related pension insurance. For Argentina: salaried workers without pension insurance and unpaid workers without complete tertiary education. For Mexico: workers without work-related health insurance benefits. For Honduras, unpaid workers without tertiary education or with tertiary education are employed by small private companies, and salaried workers with limited education are employed by small private companies.

The poor in the Caribbean have a similar profile to their counterparts in the rest of the LAC region. First, children represent between 29 and 46 percent of the poor. Second, educational attainment and poverty are strongly connected. The share of poor people with primary or no education ranges from 12.5 percent in Jamaica to 72.4 percent in Belize.

4. Inequality

The LAC region ranks among the most unequal in the world.[8] The top 20 percent of households capture 54 percent of total income, while the poorest 20 percent receive only 4 percent (figure 5). By comparison, in all other regions except Sub-Saharan Africa, the top quintile claims 40 to 43 percent of income, with the bottom quintile receiving 8 to 9 percent. Inequality also varies within LAC: Brazil and Colombia stand out as the most unequal countries in the region, with the richest 20 percent accounting for 55 to 59 percent of income. In contrast, the top quintile's share is lower in the Dominican Republic, El Salvador, and Uruguay, at 45 to 46 percent.

Figure 5 Income Distribution (Share) within LAC and LAC vs. Other Regions, Circa 2024

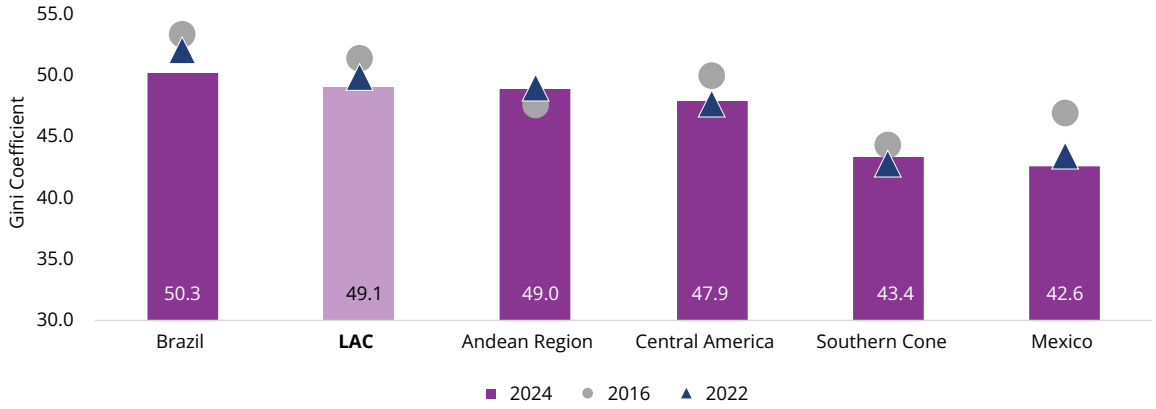


Sources: SEDLAC (CEDLAS and World Bank) and Poverty and Inequality Platform (PIP).
Note: Percentages based on income (LAC) or consumption (non-LAC regions). LAC aggregate based on 18 countries with available SEDLAC microdata. In cases where data were unavailable, values have been estimated using microsimulations and then pooled to create regional estimates. Subregions definitions as in table 1. Brazil and Mexico 2024 data are preliminary. The percentage share for the rest of the regions is an average of the shares of each country (income or consumption).

In 2024, the Gini coefficient for LAC reached 49.1 points, a value higher than the World Bank's 40-point threshold for classifying a country as characterized by "high inequality" (figure 6). At the same time, it declined by 2.3 points between 2016 and 2024. This regional improvement was driven primarily by reductions in the two largest economies: Mexico (-4.3 points) and Brazil (-3.1 points). However, these gains were partially offset by increases in the Andean region (+1.3 points). Central America and the Southern Cone experienced a 2.1- and 1-point decline in the Gini coefficient, respectively. In the Caribbean countries, inequality is generally high: the Gini coefficient is close to or above the World Bank's global threshold for high inequality in all the countries analyzed apart from Barbados (where the Gini is 34). Similarly, in all countries except Barbados, the top 10 percent of the population consumes nearly twice as much as the bottom 40 percent.

8 Regional inequality comparisons should be made with caution, because inequality of income is typically higher than inequality of consumption (World Bank 2024). While LAC countries report income-based inequality measures, most other countries use consumption-based measures (World Bank, 2016, 77–80). In fact, wage inequality in Brazil and Colombia resembles levels in South Asian countries such as India and Sri Lanka, whereas other LAC countries align with East Asia and Pacific countries such as Thailand and the Philippines (World Bank 2025b).

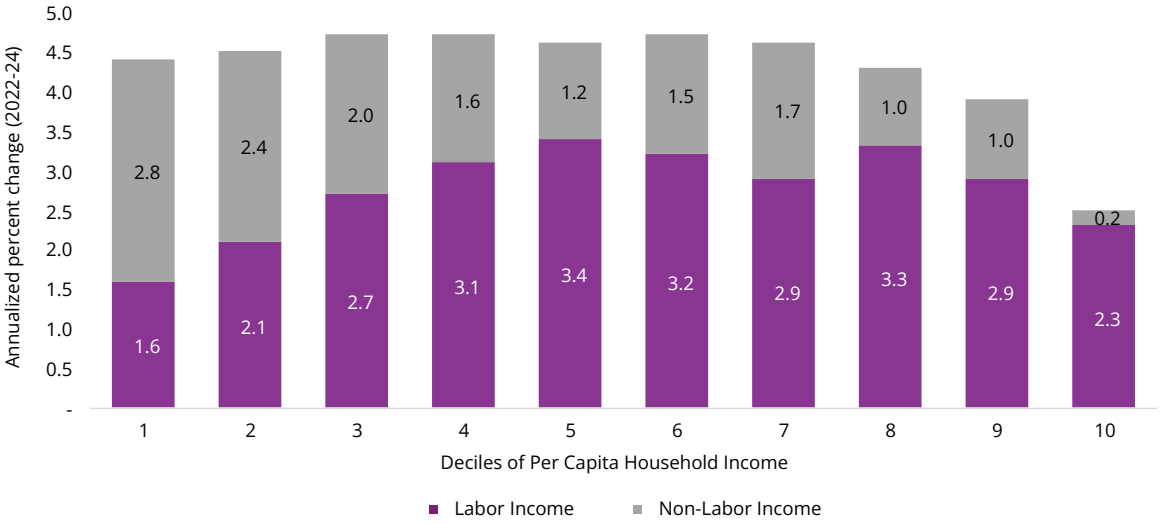
Figure 6 Gini Coefficients for Brazil, Mexico, LAC, and LAC Subregions, 2016, 2022, 2024



Source: SEDLAC (CEDLAS and World Bank).
Note: LAC aggregate based on 18 countries with available SEDLAC microdata. Pooled Gini coefficient for LAC calculated using pooled microdata for all countries. In cases where data were unavailable, values have been estimated using microsimulations. Subregions definitions as in table 1. Brazil and Mexico 2024 data are preliminary.

The decline in income inequality was largely driven by broad-based income growth, which was slightly higher at the bottom and middle deciles of the distribution (figure 7). The middle-income deciles (3 to 6) recorded the fastest gains, averaging approximately 4.7 percent, while the poorest decile grew by 4.4 percent and the top decile by only 2.5 percent. Labor income was the main driver of growth among the middle- and top-income deciles, accounting for 2.3-3.4 p.p. of total income growth from decile 3 through decile 10. In contrast, non-labor income played a more significant role among the poorest 20 percent of households, contributing 2.4 to 2.8 p.p. of total income growth.

Figure 7 Income Growth by Decile, LAC, 2022–24

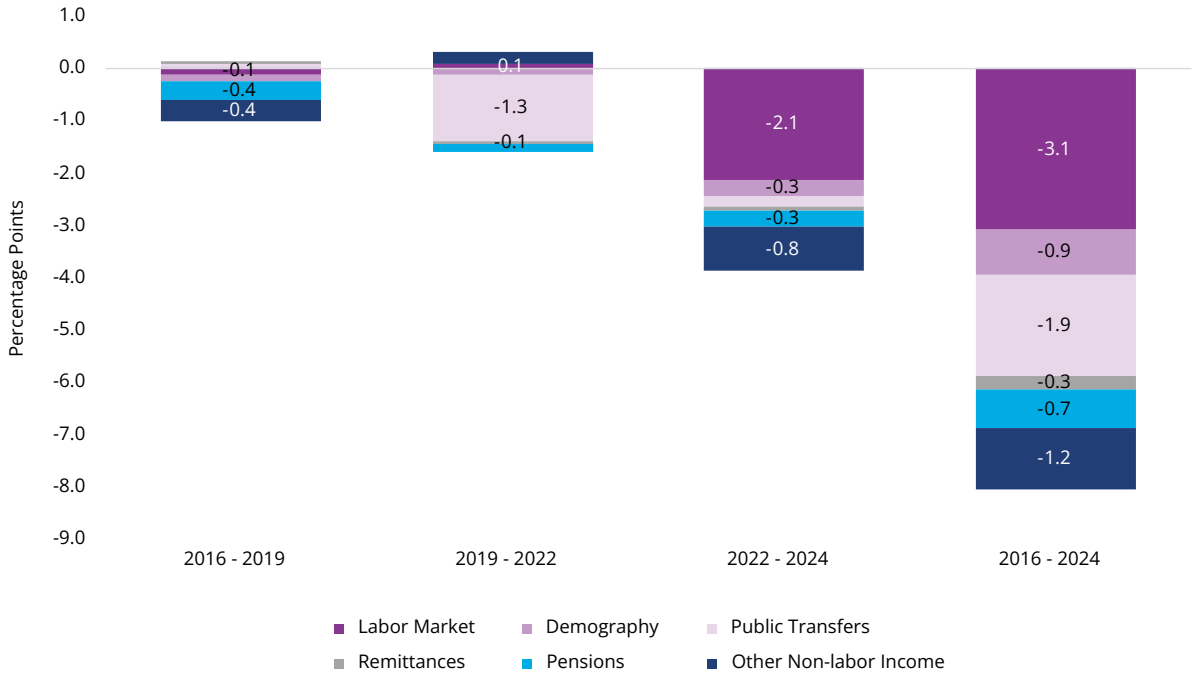


Source: SEDLAC (CEDLAS and World Bank).
Note: LAC aggregate based on 18 countries with available microdata. In cases where data were unavailable, values have been estimated using microsimulations and then pooled to create regional estimates. Brazil, Colombia, and Mexico 2024 data are preliminary. Growth rates for labor and non-labor income are weighted by each component's share in total income; therefore, they represent contributions to total income growth rather than stand-alone growth rates for each component.

5. Poverty Drivers

Jobs and public transfers were the main poverty reduction drivers in LAC between 2016 and 2024, though their relative importance shifted across subperiods (figure 8). Over the full period, labor market improvements, through employment and earnings growth, accounted for 3.1 p.p. (around 37 percent) of the total 8.4-point decline in poverty. Public transfers contributed another 1.9 points, about one-quarter of the overall reduction. Pensions, the demographic transition, and remittances were also factors driving these declines, to a lesser extent. The prepandemic years (2016–19) brought only a modest 1-p.p. decline in poverty, reflecting stagnant labor markets and limited transfer expansion. During the pandemic (2019–22), poverty fell slightly, primarily due to the swift and sizable rollout of public transfers, while labor market conditions contributed little. The picture reversed in the postpandemic recovery (2022–24): more than half of the poverty reduction came from more jobs and higher earnings, while transfers played only a minor role.

Figure 8 Drivers of Poverty Changes in LAC, 2016-24



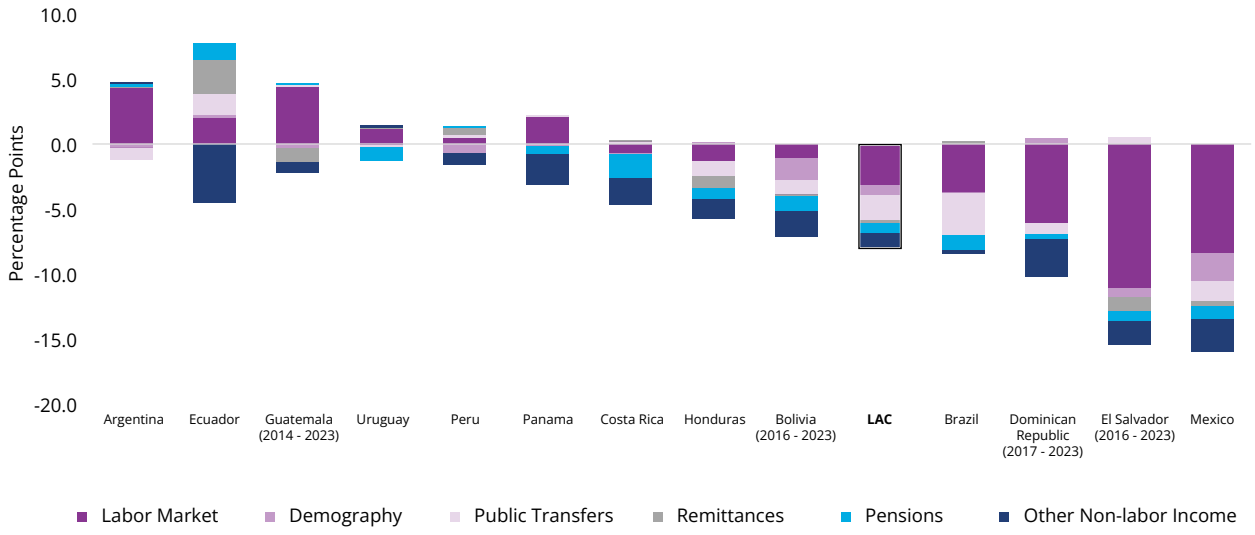
Source: SEDLAC (CEDLAS and World Bank).
Note: LAC aggregate varies by period based on available comparable microdata. Core countries present across most periods include Argentina, Brazil, Costa Rica, Ecuador, Peru, and Uruguay, with additional countries added depending on data availability: 2016–19 (12 countries), 2019–22 (9 countries), 2022–24 (14 countries), and 2016–24 (13 countries). "Labor Market" includes labor income and share of employed people, and "Other Non-Labor Income" includes capital income, rentals, monetary and nonmonetary internal transfers, imputed rent, and other nonclassifiable non-labor income.

Between 2016 and 2024, the drivers of poverty reduction varied widely across LAC countries. The labor market's contribution to poverty reduction at the regional level was driven by the two biggest economies, Brazil and Mexico. Beyond these countries, the labor market played a notable role mainly in the Dominican Republic and El Salvador. In most other countries, employment growth and earnings gains were smaller (figure 9.1).

Following the pandemic, a labor market recovery occurred in most LAC countries that played a key role in reducing poverty. In eight countries, employment and wage growth accounted for between 1.5 and 4 p.p. of

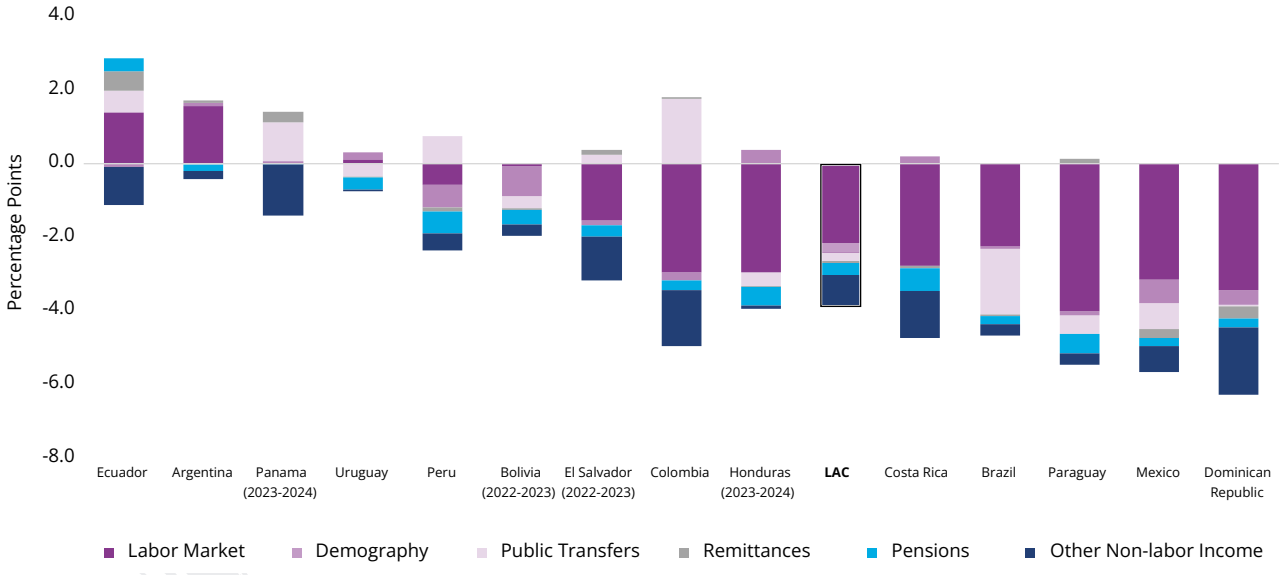
poverty reduction, representing 48 to 94 percent of the total poverty decline (figure 9.2). Unlike in the pandemic period, public transfers had a limited impact during this time, except for Brazil, where they contributed 38 percent of poverty reduction. Rising minimum wages in the largest LAC economies may partly explain the labor market's strong role in reducing poverty in the long (2016–24) and short term (2022–24) (Engbom and Moser 2022; World Bank 2025a).

Figure 9.1 Drivers of Poverty Rate Changes, LAC and Selected Countries, 2016–24



Source: SEDLAC (CEDLAS and World Bank).
Note: LAC aggregate based on 13 countries with available and comparable microdata: Argentina, Brazil, Costa Rica, Ecuador, Honduras, Mexico, Panama, Peru, and Uruguay, as well as Bolivia and El Salvador (2016–23), Dominican Republic (2017–24), and Guatemala (2014–23). Data from Uruguay for 2016 are not strictly comparable with data from 2024. Income definitions as in figure 7. Argentina has urban coverage only.

Figure 9.2 Drivers of Poverty Changes, LAC and Selected Countries, 2022–24



Source: SEDLAC (CEDLAS and World Bank).
Note: LAC aggregate based on 14 countries with available and comparable microdata: Argentina, Brazil, Colombia, Costa Rica, Dominican Republic, Ecuador, Mexico, Paraguay, Peru, and Uruguay, as well as Panama and Honduras (2023–24) and Bolivia and El Salvador (2022–23). Income definitions as in figure 8. Argentina has urban coverage only.

6. Jobs and Poverty Transitions

Household income and poverty are shaped not just by people's current jobs, but also by the paths they have taken in recent years, for example, whether they recently lost or found a job or moved to a high-skill job. Cross-sectional data, which take only a snapshot in time, cannot capture these dynamics. To address this limitation, this section draws on panel data from household surveys in five LAC countries—Argentina, Brazil, the Dominican Republic, El Salvador, and Peru—covering the periods 2015–19 and 2021–23.[9]

Poverty in the study period was persistent in LAC, as more than half and up to three-quarters of initially poor households remained poor, ranging from 57 percent in Dominican Republic to 76 percent in Brazil.[10] Notably, poverty was more persistent in countries with higher poverty rates, suggesting a link between low short-term socioeconomic mobility and poverty. Similarly, most non-poor households remained non-poor, ranging from 83 percent of panel households in El Salvador and Peru to over 90 percent in Argentina, Brazil, and the Dominican Republic (figure 10).

Figure 10. Shares of Households Changing Poverty Status, 1-Year Transition Averages, 2016–23

Source: SEDLAC (CEDLAS and World Bank).
Note: Calculations based on one-year panels covering 2017–18, 2018–19, and 2022–23. The poverty headcount corresponds to the average between 2016 and 2023.

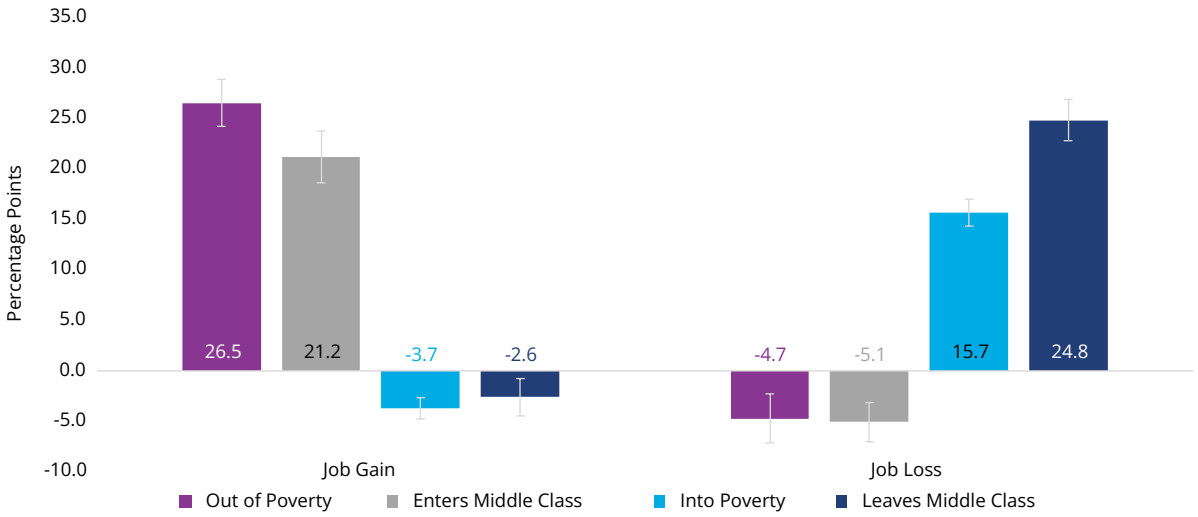
9 See appendix D1 for detailed information on the panel construction. The calculations are based on one-year panels for specific periods in each country, depending on data availability: Argentina (2016–19 and 2021–23), Brazil (2016–19 and 2022–23), Dominican Republic (2017–19 and 2021–23), El Salvador (2018–19 and 2021–23), and Peru (2015–19 and 2021–23).

10 These are the average conditional transition rates for one-year panels covering 2017–18, 2018–19, and 2022–23, as these are the periods for which all five countries have available panel data. Nevertheless, the country-level conditional transition rates remain almost unchanged when using all the countries' corresponding available data.

Jobs are a key pathway out of poverty and provide economic protection. When household heads transition from unemployment or inactivity into work, poor households exhibit a 26.5 p.p. higher probability of escaping poverty than poor households where the head did not experience this transition.[11] Likewise, the same transition into employment increases the likelihood of reaching middle class status by 21.2 p.p. In contrast, when the head loses a job, the likelihood of falling into poverty increases by 15.7 p.p. and increases the chances of leaving the middle class by 24.8 p.p. (figure 11). With some variations, these patterns are observed in all five countries.

While employment is a critical pathway out of poverty, the results reveal important nuances about job quality and poverty transitions. When the household head (typically the primary income earner) transitions into or out of employment, the probability of the household's crossing the poverty or vulnerability threshold changes by approximately 16 to 26 p.p. Given that this represents a substantial shift in employment status for the household head, the relatively modest magnitude of the effect suggests that such transitions often involve movement from one low-quality job to another, yielding only marginal improvements in household welfare. Indeed, workers who cycle in and out of employment disproportionately transition from or to informal and lower-skilled occupations, compared with the average worker in the labor market (table D4).[12]

Figure 11 Marginal Effects of Job Gain and Loss on the Probability of Changing Poverty or Middle-Class Status in LAC



Source: SEDLAC (CEDLAS and World Bank).
Note: Based on pooled panel data from five countries covering 2021–23 (Argentina, the Dominican Republic, and Peru) and 2022–23 (Brazil and El Salvador). All estimations include year and country fixed effects, with robust standard errors. The regression is at the household level.

Occupational mobility within employment plays a crucial role in poverty and vulnerability dynamics. Occupational upgrading (moving to positions that require higher skills, such as advancing from bookkeeping assistant to accountant or from waiter to restaurant manager) can propel households toward greater economic security than just remaining employed. Conversely, occupational downgrading (shifting to lower-skilled roles, such as moving from cook to kitchen helper or from cashier to shelf stocker) can limit the protective effect that remaining employed can have. In LAC, when household heads remained employed, they show a 15.6 p.p. higher probability of escaping poverty than those who remained out of work. Moreover, when household heads experience occupational upgrading, they face an additional 8.9 p.p. increase in the probability of escaping

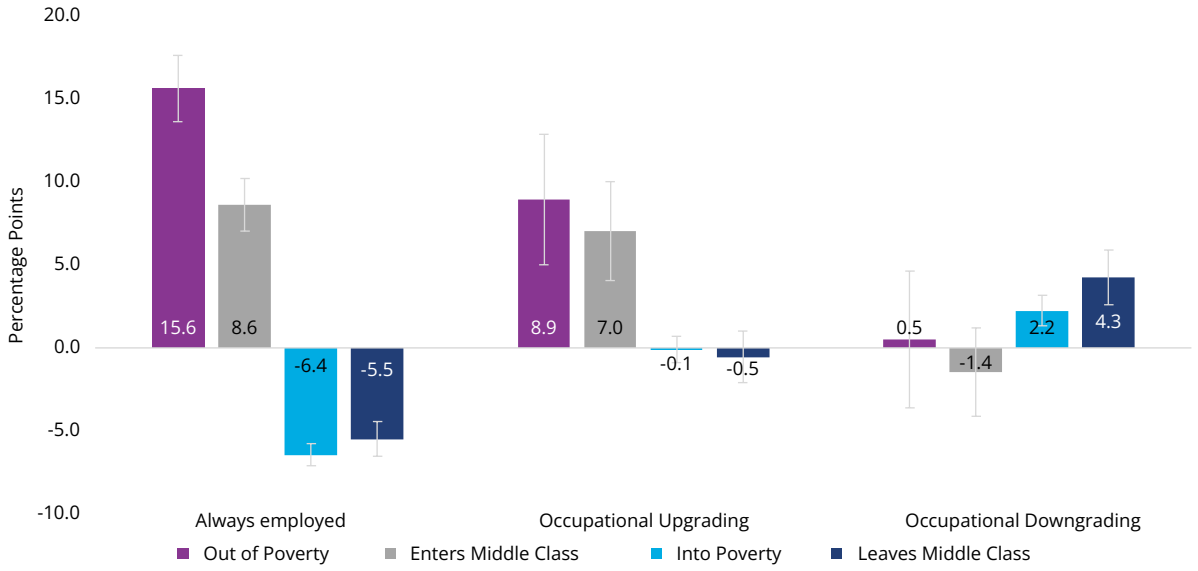
11 Country-level and pooled regional regressions were implemented on the panel data to examine how labor market transitions are associated with people's poverty and vulnerability status. See appendix D for detailed information on the regression analysis methodology. These findings represent correlational rather than causal relationships, because the analysis is constrained by the endogenous nature of the dependent variables. Job transitions are likely linked to unobservable characteristics that affect poverty and vulnerability status, which can bias the estimated coefficients.

12 These findings are consistent with those from Donovan, Lu, and Schoellman (2023), who find that labor market turnover is higher in developing countries but is mostly limited to transitions in and out of lower-quality jobs.

poverty, for a total of 24.5 p.p. (figure 12). Similarly, occupational upgrading is associated with a 7.0 p.p. increase in the likelihood of reaching middle-class status compared to remaining in the same occupation. In contrast, occupational downgrading appears to be linked to deteriorating economic outcomes, as it reduces the protective effect of remaining employed against both falling into poverty and leaving the middle class.

Households whose heads experience occupational upgrading show increased chances of escaping poverty in all five studied countries, with estimates ranging from 6.4 additional p.p. in Brazil to 27.4 additional p.p. in the Dominican Republic with respect to those who remained at the same occupational level.[13] In contrast, occupational downgrading is not associated with substantial changes in the likelihood of entering or leaving poverty across most countries.[14]

Figure 12 Marginal Effects of Job Upgrading and Downgrading on the Probability of Changing Poverty or Middle-Class Status in LAC



Source: SEDLAC (CEDLAS and World Bank).
Note: Based on pooled panel data from five countries covering 2021–23 (Argentina, the Dominican Republic, and Peru) and 2022–23 (Brazil and El Salvador). All estimations include year and country fixed effects, with robust standard errors. The regression is at the household level.
Occupational upgrading and downgrading are described in Appendix D and Table D5. The regression is at the household level.

13 See appendix D for more detailed information.

14 These findings complement those of Menezes-Filho and Narita (2025), who analyze labor market turnover using longitudinal data sets from five LAC countries. Although the authors do not examine associations with poverty and middle-class-status transitions, they find that job-to-job changes generally increase wages, which should be expected to be linked with poverty reduction and middle-class expansion. They also report that workers who change occupations experience smaller wage gains than those who remain in the same occupation, but they do not distinguish between occupational upgrading and downgrading when examining wage effects.

7. Conclusions

The recent labor market recovery across the LAC region has been a central driver of the process of poverty reduction observed since 2022, outpacing most other regions. While this represents an encouraging development, questions remain about the sustainability of this recent progress. Persistent stagnation in labor productivity over the past decade points to structural limitations, particularly in attracting investment into dynamic, higher-value sectors that are better positioned to generate quality employment. These constraints, coupled with heightened global uncertainty arising from factors ranging from disruptions in international trade to the transformative impacts of artificial intelligence, underscore the risk that current gains in poverty reduction could stall without deeper reforms to strengthen productivity and resilience.

To sustain momentum, policies to generate more and better jobs must address both immediate labor market challenges and the deeper structural barriers that have constrained LAC's growth for decades. On the demand side, easing bottlenecks in strategic sectors such as agribusiness, tourism, and renewable energy can unlock new sources of employment, including for low-skilled workers, while a more predictable regulatory environment and stronger competition frameworks encourage investment and innovation. On the supply side, raising the quality of education at all levels and forging tighter linkages between formal education curricula and the private sector are critical for enabling adaptation to technological change and expanding opportunities for workers. Equally important are reforms that deepen capital markets, improve infrastructure, modernize tax systems, and strengthen institutions to better manage the risks inherent in entrepreneurship and innovation (Maloney et al. 2025). These policies will be key to transforming the current recovery into a more inclusive and sustainable path of long-term growth and poverty reduction.

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Appendix

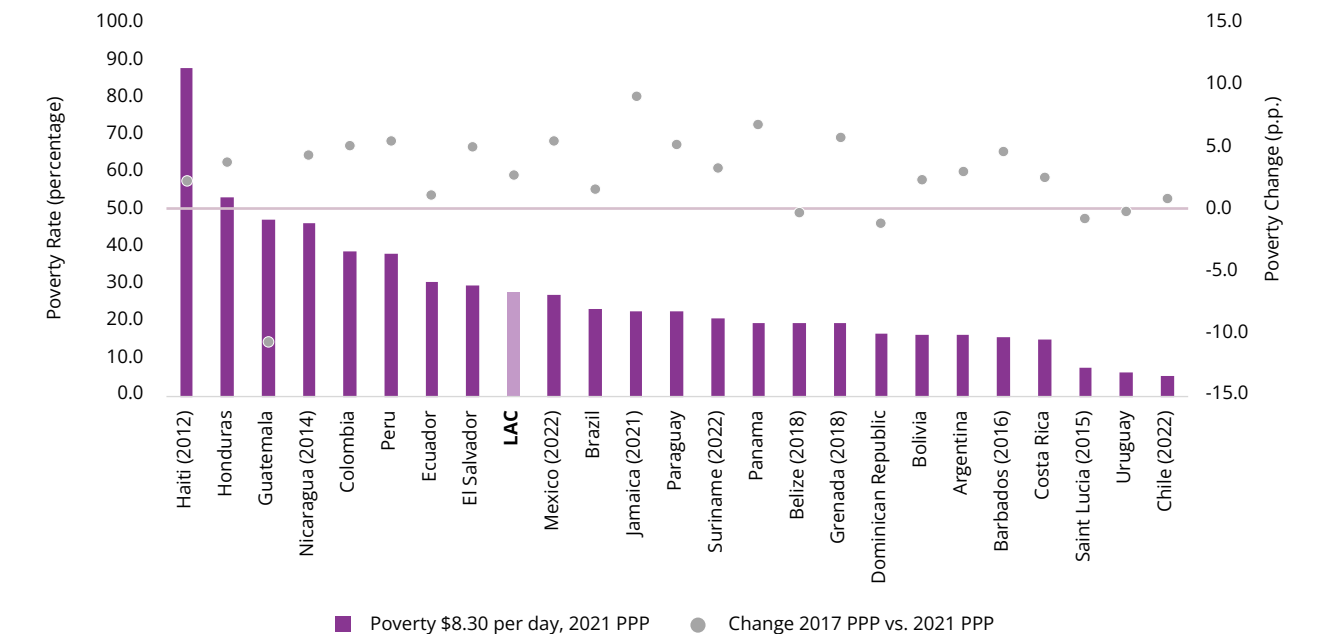
Appendix A. Introducing the New 2021 Purchasing Power Parity (PPP) in Regional Estimates

The World Bank revised its international poverty lines to reflect changes in living costs and consumption patterns worldwide, using updated 2021 purchasing power parity (PPP) rates and improved national poverty data. The updated poverty lines are $3.00 per day for low-income countries, $4.20 per day for lower-middle-income countries, and $8.30 per day for upper-middle-income countries (2021 PPPs), replacing the previous thresholds of $2.15, $3.65, and $6.85 per day, respectively (Foster et al. 2025).[15]

These revisions present a slightly more challenging picture for LAC. Under the new $3.00 per day extreme poverty line, the regional rate increased from 3.9 percent to 5.3 percent in 2023. Poverty at the upper-middle-income threshold rose from 25.1 percent to 27.9 percent. This statistical adjustment translates to approximately 17 million additional people classified as poor, including 8 million newly considered extremely poor.

While these methodological updates result in higher poverty rates and numbers, the underlying poverty trends across the region remain consistent with the 2017 PPPs. This represents a methodological improvement rather than a deterioration in living conditions, providing a more accurate snapshot of poverty in the region.

Figure A1 Impact of 2021 PPP Update on Poverty Rates in LAC, circa 2023



Source: SEDLAC (CEDLAS and World Bank).
Note: LAC aggregate based on 18 countries in the region for which microdata (Income) are available. When data is unavailable, values have been estimated using microsimulations and then pooled to create regional estimates. Argentina only has urban coverage. Colombia 2023 data are preliminary and do not necessarily coincide with other sources or World Bank documents. Gray circles show the change in p.p. between 2017 PPP and 2021 PPP rates (right axis).

15 Three key factors shaped this revision: enhanced PPP conversion factors that better capture cross-country cost-of-living differences, improved household survey methodologies in low-income countries that provide more-accurate welfare measurements, and updated national poverty lines across middle-income countries. These adjustments incorporate data from the 2021 International Comparison Program, which captured post-COVID-19 price levels.

Appendix B. Definition of a Vulnerability to Poverty Line Using 2021 PPP

In 2013, the World Bank report *Economic Mobility and the Rise of the Latin American Middle Class* (Ferreira et al. 2013) first introduced vulnerability and middle-class lines to distinguish between the non-poor with economic security (that is, the middle class) and those above poverty thresholds who may still face high risks of falling into poverty due to economic shocks (that is, the vulnerable population). The report adopted the methodology of López-Calva and Ortiz-Juarez (2014), which uses panel data from Chile, Mexico, and Peru to identify income levels associated with a 10 percent probability of falling into poverty. This approach led to a regional vulnerability line of $10 per day (2005 PPP), the average across the three countries, and a middle-class poverty line of $50 per day to split the middle and upper class. When international poverty lines were updated to 2011 PPPs in 2014, the vulnerability and middle-class lines were simply recalculated using the country-level extrapolation factors from 2005 PPPs to 2011 PPPs.

With the adoption of 2017 PPPs, Fernandez, Olivieri, and Sanchez (2023) reestimate these thresholds using a synthetic panel methodology across 15 LAC countries.[16] These authors' approach defined the vulnerability line as the median income of households who fell into poverty and the middle-class line as the 99th percentile income among those same households. This methodology established new regional lines of $14 per day for vulnerability and $81 per day for middle-class status (2017 PPP).

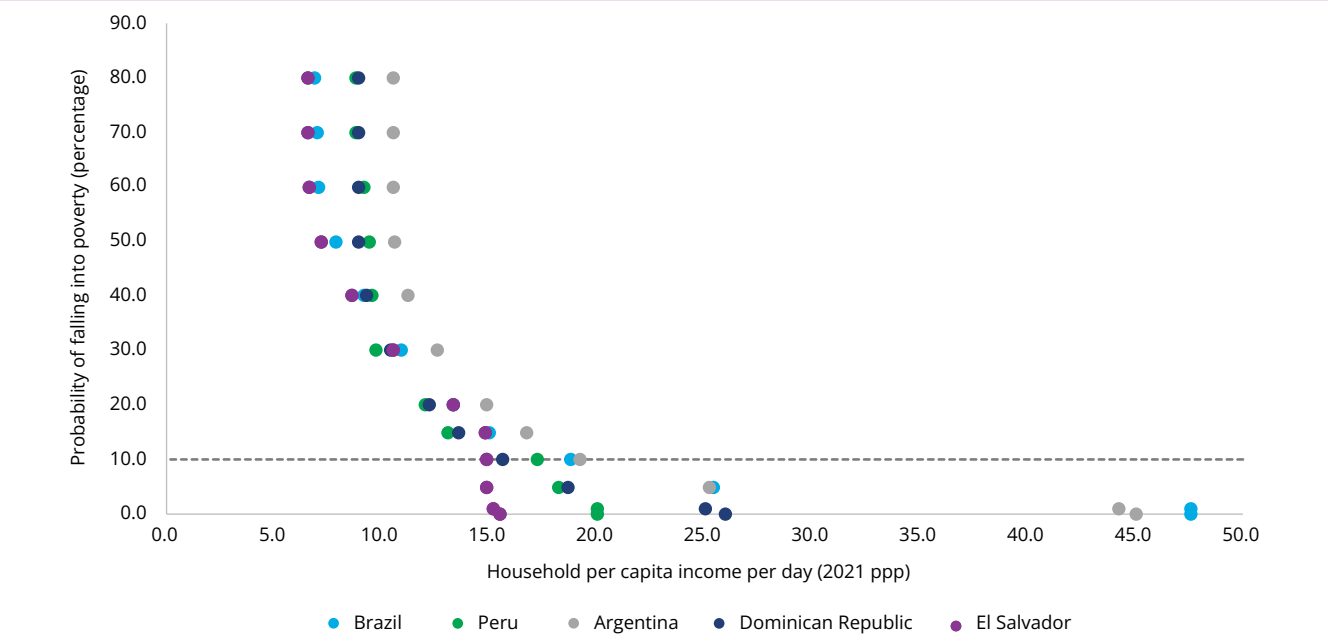
The new vulnerability line update to 2021 PPPs uses the López-Calva and Ortiz-Juarez (2014) methodology applied to panel data from five LAC countries covering the periods 2015–19 and 2021–23: Argentina, Brazil, Dominican Republic, El Salvador, and Peru.[17] This methodology was selected as the primary approach because it offers two key advantages over synthetic panels and simple extrapolation methods: (1) it uses recent data from several LAC countries with broad regional representation, encompassing the region's largest economy, the Southern Cone, the Andean region, and Central America; and (2) the panel data enable direct observation of actual transitions into and out of poverty rather than simulated ones. The methodology's three-stage procedure relates different levels of per capita household income to probability of falling into poverty conditional on observable household characteristics (figure B1).[18]

16 Note that the results for the vulnerability line depend on the probability level chosen for the analysis. The 10 percent probability of falling into poverty was retained because the panel data for the selected 5 countries suggest this is still the approximate proportion of non-poor households who will fall into poverty in the subsequent period.

17 See appendix D for detailed information on the panel construction. The calculations are based on one-year panels for specific periods in each country, depending on data availability: Argentina (2016–19 and 2021–23), Brazil (2016–19 and 2022–23), Dominican Republic (2017–19 and 2021–23), El Salvador (2018–19 and 2021–23), and Peru (2015–19 and 2021–23).

18 This update does not consider an upper threshold for the middle class in LAC. This is because household surveys do not typically capture top incomes very well (Jenkins 2017; Lustig 2019). In fact, tax records reveal substantial discrepancies with household surveys at high income levels. For instance, in Brazil mean income above the 99th percentile is $26,477 in tax records versus $12,538 in household surveys (2021 PPP). Peru shows similar disparities, with $21,129 versus $5,438 for the same percentile (2021 PPP). These discrepancies also appear in income concentration measures. In Brazil, the top 1 percent holds 27.4 percent of total income according to tax records versus 12.4 percent in household surveys. Peru exhibits comparable patterns, with 27.0 percent versus 7.7 percent for the top income percentile.

Figure B1 Probability of Falling into Poverty vs. Household per Capita Income per Day



Source: SEDLAC (CEDLAS and World Bank).
Note: Calculations follow López-Calva and Ortiz-Juarez (2014) and are based on one-year panels for specific periods by country: Argentina (2016–19, 2021–23), Brazil (2016–19, 2022–23), Dominican Republic (2017–19, 2021–23), El Salvador (2018–19, 2021–23), and Peru (2015–19, 2021–23).

The proposed methodology for updating the vulnerability line has some limitations. First, only five countries in the region have panel data suitable for estimation, including the variables needed to construct a harmonized measure of household income per capita for poverty analysis. Second, the results depend on the set of control variables selected for the estimation. However, sensitivity analysis demonstrates that the results remain robust when varying the household characteristics included in the analysis.

As an additional robustness check, we implemented the synthetic panels methodology of Fernández, Olivieri, and Sanchez (2023). This approach yields a vulnerability line estimate of $16.5 per day (2021 PPP) for the five countries with panel data and $16.9 per day when using cross-sectional data for 15 LAC economies. Additionally, simple extrapolation using conversion rates from 2017 PPPs to 2021 PPPs produces an average vulnerability line of $15.9 per day for the five selected countries and $15.5 per day when applied to all 15 LAC countries with available cross-sectional data.

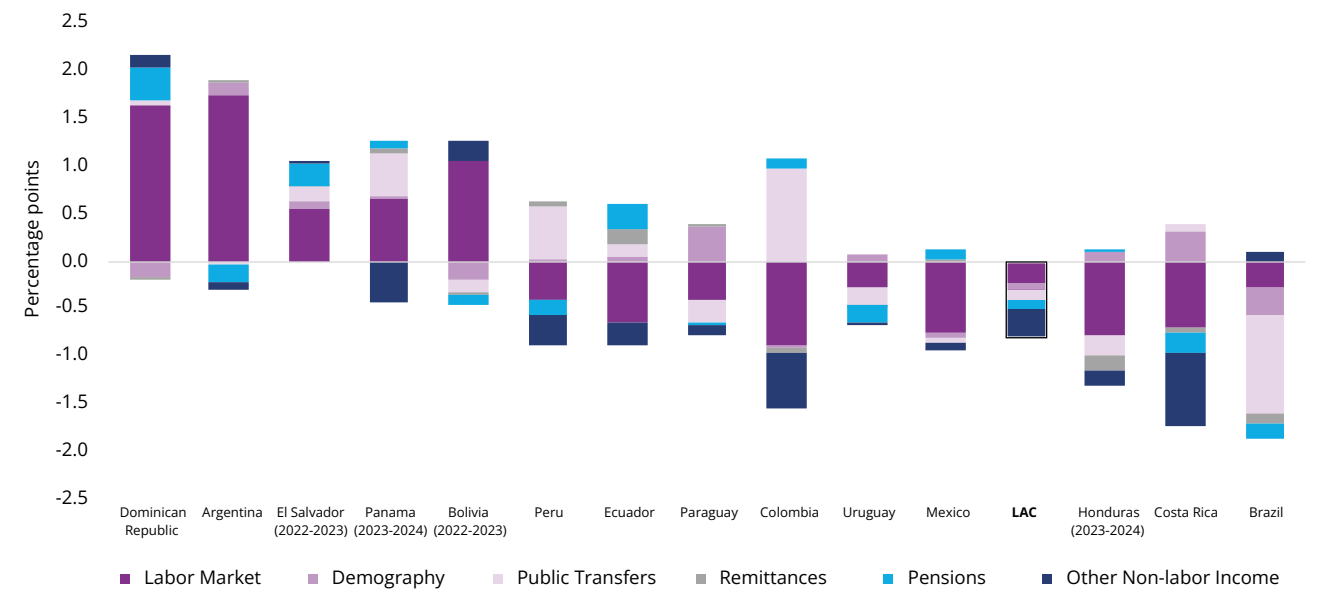
Table B1 Vulnerability Lines Update for 5 LAC Countries

Average of the Vulnerability Line for 5 LAC Countries			
Country	PPPs Extrapolation	Synthetic Panels	Real Panels (LC-OJ 2014)
Brazil	$16.0	$16.6	$18.8
Argentina	$15.3	$21.1	$19.2
Peru	$15.3	$14.0	$17.2
Dominican Republic	$17.5	$17.0	$15.6
El Salvador	$15.2	$14.0	$14.9
Simple average	$15.9	$16.5	$17.1
All available countries in SEDLAC 2021 PPPs	**$15.5**	**$16.9**	

Source: SEDLAC (CEDLAS and World Bank).
Note: Real panels correspond to simple average of 1-year gap panels between 2016–19 and 2022–23. Values represent daily income thresholds in 2021 PPP. PPP extrapolation estimates based on updating previous vulnerability lines using PPP adjustment factors from 2017 to 2021 PPPs. Synthetic panels methodology presents 2-year panel averages excluding 2020.

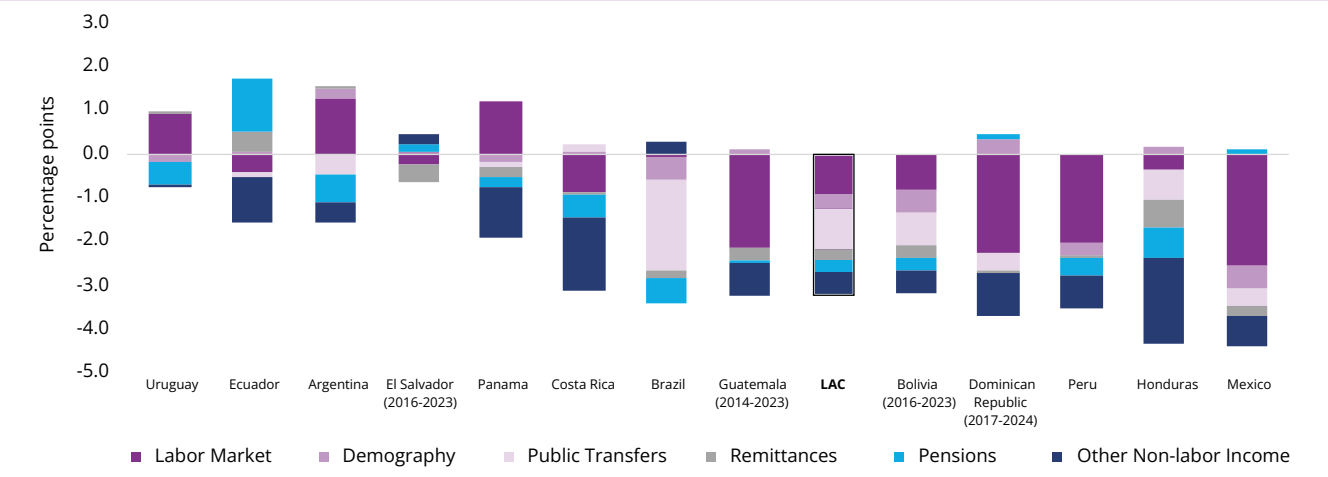
Appendix C Additional Figures and Tables

Figure C1 Drivers of Inequality Changes by LAC Country, 2022–24



Source: SEDLAC (CEDLAS and the World Bank).
Note: LAC aggregate for 2022–24 is based on 14 countries with available and comparable microdata for both years: Argentina, Brazil, Colombia, Costa Rica, Dominican Republic, Ecuador, Mexico, Paraguay, Peru, and Uruguay, as well as Panama and Honduras (2023–24) and Bolivia and El Salvador (2022–23). Income definitions as in figure 7. Argentina has urban coverage only.

Figure C2 Drivers of Inequality Changes by LAC Country, 2016–24



Source: SEDLAC (CEDLAS and the World Bank).
Note: LAC aggregate for 2016–24 is based on 13 countries with available and comparable microdata for both years: Argentina, Brazil, Costa Rica, Ecuador, Honduras, Mexico, Panama, Peru, and Uruguay, as well as Bolivia and El Salvador (2016–23), Dominican Republic (2017–24), and Guatemala (2014–23). The 2016 data for Uruguay are not strictly comparable with 2024. Income definitions as in figure 7. Argentina has urban coverage only.

Table C1 Poverty Rates and Projections by LAC Countries, 2022–25e (percentage)

Country	International Poverty Rate $3.00 per day				Lower-Middle-Income Poverty Rate $4.20 per day				Upper-Middle-Income Poverty Rate $8.30 per day			
	2022	2023	2024	2025e	2022	2023	2024	2025e	2022	2023	2024	2025e
Argentina (urban)	1.3	1.2	1.0	0.9	2.9	3.1	2.8	2.6	13.9	16.4	15.2	14.7
Bolivia	3.3	2.8	3.0	3.9	5.7	5.1	5.5	6.5	18.5	16.5	17.2	18.4
Brazil*	4.9	3.8	3.0	3.0	8.5	7.5	6.2	6.0	25.3	23.4	20.6	20.3
Chile	0.5	0.5	0.5	0.5	0.9	0.9	0.9	0.9	5.7	5.7	5.5	5.3
Colombia*, **	9.3	8.6	8.5	8.3	15.8	15.2	14.7	14.2	40.2	39.1	37.0	36.2
Costa Rica	1.6	1.5	1.3	1.3	4.0	3.4	2.6	2.6	17.1	15.3	12.6	12.1
Dominican Republic	1.0	1.3	0.8	0.7	3.2	3.0	2.0	1.9	20.2	16.9	14.0	13.4
Ecuador	4.4	4.7	7.3	7.3	9.2	10.0	12.1	12.0	30.9	30.8	32.6	32.1
Guatemala		9.7	9.6	9.4		17.6	17.6	17.2		47.3	47.0	46.1
Honduras		17.0	15.7	14.0		26.6	23.5	21.1		53.3	49.8	46.1
El Salvador	5.2	4.6	4.9	5.2	9.6	8.6	8.9	9.0	32.7	29.9	29.9	29.9
Mexico*	2.3		1.7	1.7	5.7		4.2	4.2	27.4		21.7	21.8
Nicaragua	8.7	7.9	8.0	7.7	14.4	13.1	14.4	13.6	40.4	37.9	39.2	38.0
Panama		3.7	3.1	3.1		7.2	6.8	6.9		19.8	19.8	19.5
Paraguay	3.2	2.4	2.1	2.0	7.2	5.8	4.5	4.4	25.8	22.8	20.5	19.3
Peru	4.8	5.9	5.1	5.0	10.7	11.7	10.7	10.3	37.8	38.3	36.2	35.3
Uruguay	0.2	0.2	0.2	0.2	0.7	0.7	0.5	0.5	6.3	6.6	5.9	5.8
LAC	**5.8**	**5.3**	**4.9**	**4.9**	**9.9**	**9.4**	**8.6**	**8.5**	**29.0**	**27.9**	**25.5**	**25.2**

Source: SEDLAC (CEDLAS and the World Bank).
Note: e = estimate. Highlighted cells indicate microsimulated data. For country-specific details on data comparability periods, refer to the comparability dashboard in the LAC Equity Lab (LEL).
* Data for Brazil, Colombia, and Mexico in 2024 are preliminary.
** The 2023 data for Colombia were recently revised by the national statistics office and do not necessarily coincide with other sources or World Bank documents.

Appendix D Using Panels for Five LAC Countries to Examine the Relationship between Labor Market Transitions and Socioeconomic Mobility

The results presented in section 6 examine the relationship between labor market transitions and socioeconomic mobility, as well as the process of updating the vulnerability line using PPP 2021. These findings are derived from a regression analysis using cross-country panel data from five LAC countries: Peru, Brazil, Argentina, Dominican Republic, and El Salvador. The data set combines these data covering different periods for each country: 2015–19 and 2021–23 for Peru, 2016–19 and 2021–23 for Argentina, 2017–19 and 2021–23 for Dominican Republic, 2016–19 and 2022–23 for Brazil, and 2018–19 and 2021–23 for El Salvador.

D1. Panel Data Construction

Argentina's EPHC survey employs a 2-2-2 rotating panel design with 25 percent panel renewal each quarter. Panel households are visited in two consecutive quarters, skipped for two quarters, and then visited again for two additional quarters. This design allows tracking of 25 percent of the total sample year-to-year, with harmonized variables available through SEDLAC data.

Brazil's PNAD-C survey uses a 5-quarter continuous rotation scheme that tracks households for over 15 months. While the public microdata lack unique individual or household identifiers, they provide

key variables that enable the construction of these identifiers. However, variables related to housing materials and ownership are not collected during the fifth visit. Because these variables are necessary for constructing imputed rent estimations—which are required for calculating per capita household income used in international poverty rate estimates—we applied the imputed rent from the first visit to the fifth visit. This approach is feasible because households must remain in the same dwelling throughout the panel period to be included. It is important to note that official international poverty rates reported by the World Bank are calculated using only the first visit (except for rates reported in 2020 and 2021, when the first visit data were not released).

Dominican Republic's ECNFT survey utilizes a 5-quarter continuous rotation scheme, allowing year-to-year tracking of 25 percent of the total household survey sample, with harmonized variables available through SEDLAC data.

El Salvador's EHPM survey lacks an official panel design. However, collaboration between the Oficina Nacional de Estadística y Censos (ONEC) and the El Salvador poverty team at the World Bank enabled construction of a panel by using settlement geographical identifiers and testing consistency of individual-level characteristics such as age to analyze socioeconomic and labor market transitions among household heads. We acknowledge El Salvador's Country Poverty team for their collaboration in constructing this panel data set.

Peru's ENAHO survey provides the longest and most comprehensive panel data, tracking households for one to five years during 2015–19 and 2019–24. The Instituto Nacional de Estadística y Informática (INEI; National Institute of Statistics and Computing) of Peru provides preconstructed panel data sets that facilitate mapping to SEDLAC harmonized data sets. In this brief, we use only the one-year panels, but we conduct a robustness check using the longer panel structure, which is available upon request.

D2. Methodology for the Poverty and Jobs Transition Regressions (Section 6)

The estimation employs linear probability models using dummy variables that indicate labor market transitions: job entry, job exit, occupational upgrading, occupational downgrading, and remaining employed. Occupational upgrading and downgrading are defined based on the ILO occupational classification described in table D5. Here occupational upgrading is a binary variable equal to 1 if a worker moves from an occupation at skill level 1 to one at skill level 2 or 3, or from an occupation at skill level 2 to one at skill level 3. Conversely, occupational downgrading is a binary variable equal to 1 when a worker transitions in the opposite direction, from an occupation at a higher skill set to one with a lower skill level. Models are estimated separately based on the household's initial status: poor, non-poor, middle class, or outside the middle class.

The model includes household and household's head characteristics measured at baseline as controls: urban residence, age group, gender, partnership status (whether the household head reports being married or having a partner present at the time of survey), education levels, household size and number of children in the household.

The specification incorporates country fixed effects to control for time-invariant country-specific characteristics and period fixed effects to account for common temporal shocks affecting all countries. All regressions use the original population weights (i.e., larger countries have greater influence on the results).

Country-level regressions follow the same methodology as the pooled regression, using survey weights, year-level fixed effects and robust standard errors.

Table D1 Transition Regression for 5 LAC Countries (Pooled)

	Falling into Poverty	Escaping Poverty	Going out of the Middle Class	Going into the Middle Class
Job gain	-0.0372***	0.265***	-0.0260***	0.212***
	(0.00541)	(0.0120)	(0.00936)	(0.0132)
Job loss	0.157***	-0.0472***	0.248***	-0.0507***
	(0.00695)	(0.0124)	(0.0104)	(0.00982)
Stayed employed	-0.0644***	0.156***	-0.0548***	0.0862***
	(0.00336)	(0.0102)	(0.00541)	(0.00807)
Occupational upgrading	-0.000959	0.0894***	-0.00532	0.0702***
	(0.00414)	(0.0202)	(0.00800)	(0.0152)
Occupational downgrading	0.0225***	0.00502	0.0426***	-0.0145
	(0.00478)	(0.0209)	(0.00854)	(0.0136)
Observations	125,067	33,996	79,799	45,268
Adjusted R-squared	0.0979	0.134	0.105	0.0618

Source: Computations based on SEDLAC (CEDLAS and World Bank).
Note: Based on pooled panel data from five countries covering 2021–23 (Argentina, the Dominican Republic, and Peru) and 2022–23 (Brazil and El Salvador). All estimations include year and country fixed effects, with robust standard errors. Occupational upgrading and downgrading are described in Appendix D and Table D5. The regression is at the household level. Demographic controls include residence area (urban/rural), age group, gender, an indicator for whether the household head has a partner in the household, household head's level of education, number of household members, and number of children in the household. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table D2 Transition Regression for 5 LAC countries (Country Level)

Variables	Falling into Poverty	Escaping Poverty	Going out of the Middle Class	Going into the Middle Class
Argentina				
Job Gain	-0.00708	0.165**	-0.0395	0.192***
	(0.0212)	(0.0716)	(0.0322)	(0.0510)
Job Loss	0.0846***	-0.121*	0.135***	-0.123***
	(0.0205)	(0.0674)	(0.0291)	(0.0383)
Stayed Employed	-0.0533***	0.140**	-0.0797***	0.131***
	(0.0119)	(0.0548)	(0.0177)	(0.0362)
Occupational Upgrading	0.0105	0.153*	-0.0260*	-0.0329
	(0.0123)	(0.0822)	(0.0154)	(0.0413)
Occupational Downgrading	-0.000540	0.0528	-0.0161	-0.0351
	(0.0114)	(0.0710)	(0.0170)	(0.0395)
Observations	21,265	2,242	15,374	5,891
Brazil				
Job Gain	-0.0396***	0.282***	-0.0196*	0.216***
	(0.00586)	(0.0127)	(0.0101)	(0.0145)
Job Loss	0.160***	-0.0352***	0.259***	-0.0433***
	(0.00765)	(0.0131)	(0.0114)	(0.0107)
Stayed Employed	-0.0731***	0.183***	-0.0579***	0.0850***
	(0.00365)	(0.0113)	(0.00582)	(0.00897)
Occupational Upgrading	-0.00470	0.0643**	-0.00145	0.104***
	(0.00449)	(0.0252)	(0.00942)	(0.0191)
Occupational Downgrading	0.0275***	-0.0323	0.0593***	-0.0171
	(0.00544)	(0.0271)	(0.0101)	(0.0167)
Observations	89,087	23,807	57,934	31,153

Variables	Falling into Poverty	Escaping Poverty	Going out of the Middle Class	Going into the Middle Class
Dominican Republic				
Job Gain	-0.0112	0.362***	-0.0852	0.325***
	(0.0366)	(0.0923)	(0.0849)	(0.0936)
Job Loss	0.131***	-0.0828	0.262***	0.0517
	(0.0430)	(0.119)	(0.0866)	(0.0804)
Stayed Employed	-0.0401**	-0.0351	-0.0883*	0.123**
	(0.0187)	(0.0805)	(0.0487)	(0.0495)
Occupational Upgrading	0.0230	0.274**	0.114	0.109
	(0.0297)	(0.119)	(0.0727)	(0.0840)
Occupational Downgrading	0.0347	0.187	0.0746	-0.0680
	(0.0363)	(0.184)	(0.0725)	(0.0969)
Observations	1,852	381	984	868
El Salvador				
Job Gain	0.0426	0.210***	0.200*	0.160*
	(0.0348)	(0.0720)	(0.103)	(0.0821)
Job Loss	0.288***	-0.0516	0.212***	0.0619
	(0.0534)	(0.0797)	(0.0789)	(0.0556)
Stayed Employed	0.0652***	0.127**	0.148***	0.210***
	(0.0191)	(0.0532)	(0.0424)	(0.0359)
Occupational Upgrading	-0.00638	0.226***	-0.0657	-0.0120
	(0.0406)	(0.0775)	(0.0813)	(0.0735)
Occupational Downgrading	0.0175	0.136*	-0.0729	-0.0689
	(0.0380)	(0.0782)	(0.0720)	(0.0605)
Observations	2,103	999	947	1,156
Peru				
Job Gain	-0.0540**	0.156***	-0.171***	0.175***
	(0.0224)	(0.0499)	(0.0464)	(0.0468)
Job Loss	0.203***	-0.0643	0.231***	-0.0833***
	(0.0326)	(0.0554)	(0.0560)	(0.0308)
Stayed Employed	-0.00694	0.0375	-0.0206	0.0802***
	(0.0192)	(0.0372)	(0.0364)	(0.0275)
Occupational Upgrading	0.00389	0.0796**	-0.0323	-0.0384
	(0.0177)	(0.0340)	(0.0395)	(0.0258)
Occupational Downgrading	0.0251	0.0546*	-0.00148	-0.00791
	(0.0211)	(0.0324)	(0.0385)	(0.0261)
Observations	10,761	6,567	4,561	6,200

Source: Computations based on SEDLAC (CEDLAS and World Bank).
Note: Based on panel data from five countries covering 2021–23 (Argentina, the Dominican Republic, and Peru) and 2022–23 (Brazil and El Salvador). All estimations include year fixed effects, with robust standard errors. The regression is at the household level. Occupational upgrading and downgrading are described in Appendix D and Table D5. Demographic controls include residence area (urban/rural), age group, gender, an indicator for whether the household head has a partner in the household, household head's level of education, number of household members, and number of children in the household.*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table D3 Labor Market Transitions in Panel Data for 5 LAC Countries (percentage)

	Argentina	Brazil	Dominican Republic	Peru	El Salvador
	2021–23	2022–23	2021–23	2021–23	2022–23
Labor market transitions					
Gaining job	4.6	6.9	4.2	5.6	5.8
Losing job	5.5	8.0	5.8	5.6	5.7
Occupational upgrading	8.4	4.5	4.6	7.8	6.2
Occupational downgrading	9.5	4.6	3.7	7.9	6.7
Conditional on falling into poverty					
Job gain	4.6	4.5	3.4	2.4	4.3
Job loss	14.4	27.9	19.4	12.3	17.2
Occupational upgrading	9.8	3.0	5.6	8.1	6.3
Occupational downgrading	9.2	5.0	5.3	9.2	6.9
Conditional on escaping poverty					
Job gain	16.5	23.9	13.2	11.0	13.2
Job loss	2.4	5.4	4.5	3.7	4.8
Occupational upgrading	10.5	4.7	8.2	9.3	11.8
Occupational downgrading	8.5	3.3	5.6	7.2	8.9
Conditional on falling into vulnerability					
Job gain	2.9	3.1	1.9	2.0	4.6
Job Loss	13.0	20.2	14.4	12.3	7.0
Occupational upgrading	6.1	4.0	6.2	6.4	3.6
Occupational downgrading	8.3	6.4	4.9	8.5	6.5
Conditional on going to middle class					
Job gain	9.4	16.6	10.5	11.6	10.5
Job loss	2.0	4.8	3.7	2.3	5.1
Occupational upgrading	10.3	6.4	7.6	6.7	8.3
Occupational downgrading	10.7	3.9	2.9	8.4	7.2

Source: Computations based on SEDLAC (CEDLAS and World Bank).
Note: Calculations are based on one-year transition panels using 2021–23 data for Argentina, the Dominican Republic, El Salvador, and Peru. For Brazil, only the 2022–23 panel is used.

Table D4 Informality, Social Protection and Employment (percentage)

	New Job *(Job gainers)*	Previous Job *(Job leavers)*	All Workers *(Changers and non-changers)*
Job structure (5-country averages)			
Productive informality			
Formal	30.0	31.9	48.9
Informal	69.8	68.1	51.1
Legal informality			
Formal	18.9	24.1	41.7
Informal	81.1	75.7	58.3

	New Job *(Job gainers)*	Previous Job *(Job leavers)*	All Workers *(Changers and non-changers)*
Job structure (5-country averages)			
Skill level			
Low skill	28.6	23.9	18.9
Middle skill	61.1	64.2	62.5
High skill	10.3	12.0	18.6
Employment type			
Employer	3.7	3.3	5.2
Salaried worker	46.2	46.8	55.0
Self-employed	47.6	47.6	37.9
Unpaid	2.5	2.3	1.9

Source: Computations based on SEDLAC (CEDLAS and World Bank).
Note: Calculations are based on one-year transition panels using 2021–23 data for Argentina, Dominican Republic, El Salvador, and Peru. For Brazil, only the 2022–23 panel data are used. The productivity-based definition considers as informal those workers who have salaried jobs in small firms (with fewer than five employees), are self-employed without education beyond high school, or are unpaid family workers. Legal informality is defined as workers who do not have work-related pension insurance. For Argentina, these are salaried workers who do not receive work-related pension insurance and non-salaried workers without complete tertiary education.

Table D5 ILO Occupational Classification

Major Code	Major Label	Associated Skill Level
1	Managers	Skill levels 3 and 4 (high)
2	Professionals	
3	Technicians and Associate Professionals	
4	Clerical Support Workers	Skill level 2 (medium)
5	Services And Sales Workers	
6	Skilled Agricultural, Forestry and Fishery Workers	
7	Craft and Related Trades Workers	
8	Plant and Machine Operators and Assemblers	
9	Elementary Occupations	Skill level 1 (low)

Source: International Labour Organization (2025).

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