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Policy Brief

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AI Disruption in Latin America

Bridging Gaps or Widening Inequality?

AI | LABOR MARKETS | TECHNOLOGY AND INEQUALITY

Overview

Artificial intelligence (AI) is reshaping economies across Latin America, creating both opportunities for productivity gains and risks of workforce disruption. While some countries are actively investing in digital infrastructure and AI ecosystems, others face widening inequalities due to limited readiness, uneven workforce exposure, and fragile policy frameworks. This paper examines AI readiness and occupational exposure across the region, identifying key contrasts in preparedness, labor market vulnerability, and the conditions shaping an inclusive transition. It offers targeted recommendations to support inclusive growth by strengthening digital capacity, reskilling workers, and ensuring that AI implementation delivers benefits across all sectors of society.

Introduction

By 2030, AI is expected to add nearly $20 trillion to the global economy, with Latin America projected to see a 5 percent GDP boost, around $0.5 trillion.[1], [2] But will AI serve as a great equalizer, expanding economic opportunity in the region, or will it deepen existing disparities? This paper explores how prepared countries are for AI adoption and what steps are needed to ensure the benefits reach across the region.

AI is reshaping the future of work, accelerating efficiency, innovation, and economic expansion, but its effects on labor markets are not uniform. Its effects depend on a country's digital infrastructure, workforce capabilities, and regulatory landscape. However, Latin American countries are at different starting points in the AI journey. Some are making significant investments in AI ecosystems and digital infrastructure, positioning themselves as regional leaders.[3] Others, however, face major hurdles with insufficient infrastructure, workforce skill gaps, and weak policy frameworks, which threaten to limit AI's benefits and widen the gap between early adopters and lagging economies. Comparative indices such as the World Digital Competitiveness Ranking highlight these disparities, showing how uneven progress in digital infrastructure, skills development, and institutional readiness continues to hold back AI adoption across the region.[4]

AI's impact on Latin America's labor market must be understood in the broader context of the region's economic vulnerabilities. The International Labour Organization (ILO)[5] highlights that high levels of informality and weak social protections already leave workers vulnerable during economic transitions, further amplifying risks associated with technological disruptions such as AI. Small and medium-sized enterprises (SMEs), which account for the vast majority of firms, are particularly at risk, given their limited access to technology, capital, and training. Thus, supporting SMEs becomes central to achieving inclusive AI adoption across the regional economy.

AI adoption is more than just integrating new technologies. It requires a coordinated effort to develop talent, strengthen infrastructure, and implement policies that ensure AI benefits reach all sectors of the economy. Countries that fail to prepare for AI's impact on the workforce risk widening structural disparities as automation accelerates and disrupts middle-skill jobs without adequate safeguards or institutional support.[6] The challenge is not AI itself but a lack of readiness to manage its transformative impact.

Benchmarks like the Oxford Insights Government AI Readiness Index, which is part of the methodology used in this paper, offer useful indicators of national preparedness, but they often overlook how AI integrates into the workplace. Sustainable adoption of AI requires more than digital infrastructure. It calls for coherent national strategies, better alignment between policy and industry, and long-term investment in human capital. Many countries are still facing challenges in designing responsive education and labor policies that keep pace with AI–driven transformations. Without these foundations, adoption efforts risk fragmentation, limiting the broader economic and social impact of AI.[7]

The question is no longer whether AI will reshape Latin America—it will. The real challenge is ensuring AI transformation closes existing gaps in digital access, infrastructure, and skills, leading to inclusive progress, not greater inequality.

1.

Workforce Exposure to AI

According to the International Monetary Fund, AI is expected to impact nearly 40 percent of global jobs, with advanced economies facing higher exposure at 60 percent, compared to 40 percent in emerging markets and 26 percent in low-income countries. This means developed nations face both greater risks of job displacement and greater opportunities for productivity gains. Unlike previous waves of automation, AI also affects high-skilled roles, with a mix of augmentation and automation outcomes. In advanced economies, about half of exposed jobs may benefit from enhanced performance while the other half could see a decline in labor demand, potentially leading to wage reductions and fewer hiring opportunities.[8]

In contrast, emerging markets and low-income countries face fewer immediate disruptions from AI but are at risk of falling behind. Many of these nations lack the digital infrastructure and AI–skilled workforce needed to harness AI's economic benefits. Over time, this gap in AI adoption could widen global inequalities as high-income countries accelerate AI integration while developing economies struggle to keep pace.[9]

As AI adoption scales, workforce exposure will inevitably rise, requiring proactive reskilling programs, AI governance strategies, and infrastructure investments to ensure economic adaptability and mitigate risks of workforce displacement. While job impact varies by sector and country, delaying action risks deeper inequality and missed opportunities.[10]

These patterns suggest that AI–driven changes may concentrate more within specific occupations than across entire labor markets. In advanced economies, greater AI exposure often reflects industry composition and faster digital adoption. Their labor markets are more likely to include knowledge-intensive roles where AI technologies can be embedded. By contrast, lower-income countries may appear less exposed, not because their workforces are insulated from AI but because adoption is still limited, especially in sectors that rely heavily on manual and interpersonal tasks.[11]

2.

Methodology: Evaluating AI's Impact on Latin America's Workforce

To provide a comprehensive evaluation of how artificial intelligence (AI) is reshaping Latin America's labor market, this paper applies a structured methodology analyzing three dimensions:

2.1 National AI Readiness and Investment Levels

This dimension assesses each country's preparedness for AI adoption using the Oxford Insights Government AI Readiness Index.[12] The index offers a quantitative measure of national AI maturity across three pillars:

- **Government Capacity:** Evaluates national AI strategies, regulatory frameworks, ethics, digital governance, and adaptability.
- **Technology Sector:** Measures AI innovation, research and development, human capital, and start-up ecosystems.
- **Data and Infrastructure:** Examines data availability, governance, and AI–supporting digital infrastructure.

Analyzing AI readiness across these criteria highlights each country's capability to adopt, integrate, and benefit from AI technology effectively.

2.2 Workforce Exposure to AI–Driven Labor Market Changes

This analysis uses the ILO and World Bank framework from the report "Buffer or Bottleneck? Employment Exposure to Generative AI and the Digital Divide in Latin America,"[13] categorizing the regional workforce into three broad segments based on anticipated AI impact:

- **AI–Augmented Jobs:** Roles enhanced and supported by AI, increasing efficiency without replacing workers entirely.
- **Jobs at High Automation Risk:** Occupations highly susceptible to replacement due to AI–driven automation.
- **Jobs with Uncertain Impact:** Positions where the precise AI impact remains ambiguous or unpredictable due to mixed characteristics.

This framework sets the stage for understanding workforce dynamics, highlighting areas requiring policy intervention, training, or investment.

For the complete country-level exposure metrics and readiness scores, see appendix A.

2.3 Occupational-Level AI Exposure Assessment: A Multi-Layered Analysis

To achieve a granular view of AI exposure at the occupational level, this paper further applies the detailed occupational classification provided by the same ILO and World Bank's "Buffer or Bottleneck? Employment Exposure to Generative AI and the Digital Divide in Latin America"[14] study. This assessment employs the ISCO (International Standard Classification of Occupations)[15] two-digit occupational classification. Jobs are categorized using two critical criteria:

- **AI Functional Role:** Whether AI predominantly supports (augmentation), replaces (automation), or has uncertain effects.
- **Technology Interaction:** Degree of computer usage and digital interaction within each occupation.

This structured approach helps identify how different occupations interact with AI and provides a comprehensive view of workforce exposure, complementing the broader workforce-level assessment.

For the detailed occupational-level AI exposure by readiness group, see appendix B.

3.

Findings and Analysis

This section presents the core findings of the analysis, linking AI readiness and occupational exposure to regional disparities in labor market vulnerability. It highlights the structural, institutional, and technological factors shaping outcomes and identifies where policy interventions and investments are most needed.

3.1 Workforce Exposure Across Latin America

Countries across Latin America display different levels of AI readiness and workforce exposure. While some are better positioned to adopt AI, others face significant challenges due to infrastructure gaps and labor market composition. The data reflects clear contrasts between countries with stronger digital ecosystems and those where structural barriers remain.

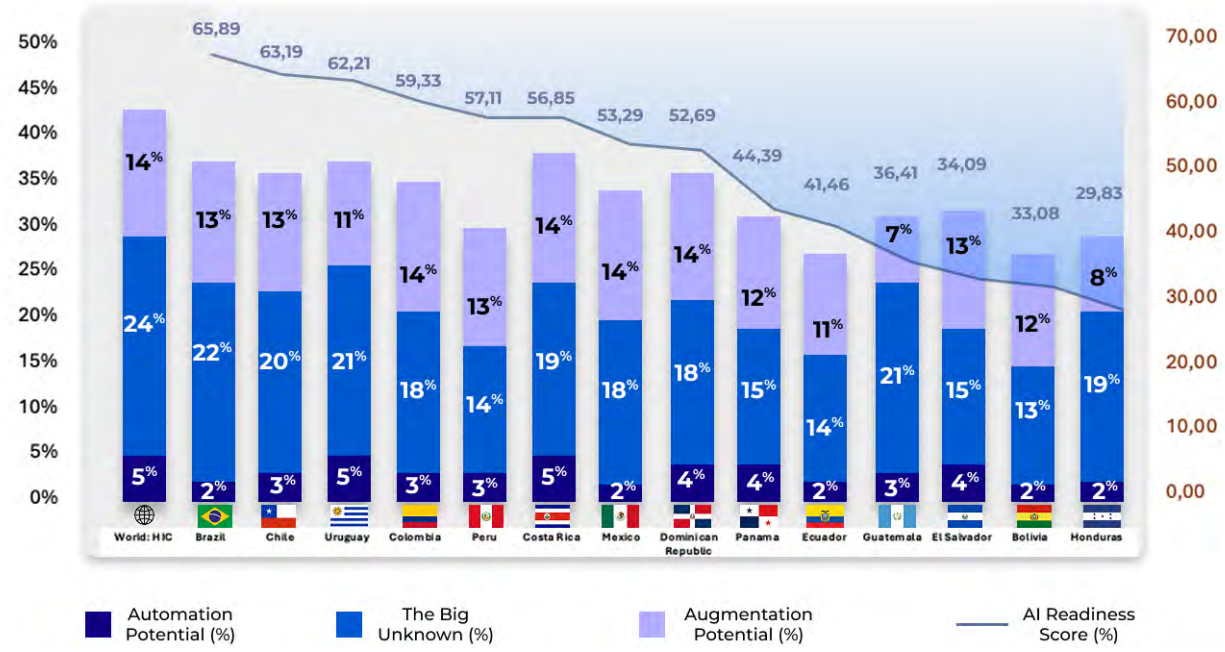

Figure 1. AI Readiness and Workforce Exposure Across Latin America

Source: Oxford Insights (Government AI Readiness Index), Gmyrek, J., Winkler, H., and Garganta, S., "Buffer or Bottleneck? Employment Exposure to Generative AI and the Digital Divide in Latin America," ILO Working Paper No. 121, Geneva: International Labour Organization (includes "World: HIC" reference), 2024.

Figure 1 presents a comparative analysis of AI readiness and workforce exposure across select Latin American countries. The bars categorize workforce exposure into three segments: potential for automation, uncertainty, and augmentation. The orange line graph represents the AI Readiness Score, an index measuring

each country's ability to integrate AI based on factors such as AI policy, digital infrastructure, and workforce skills, providing a comprehensive measure of national AI maturity. Scores range from 0 to 100, with higher values indicating greater readiness. Countries scoring above 60, such as Brazil, Chile, and Uruguay, are considered relatively well-prepared for AI integration. Scores in the 50s suggest moderate readiness with some institutional or digital gaps while those below 40, as seen in Guatemala, El Salvador, Bolivia, and Honduras, highlight more significant barriers to AI adoption, particularly in infrastructure and skills development.[16] Higher readiness scores correspond to greater potential for AI–driven transformation with lower implementation barriers while lower scores signal the need for foundational investments in digital infrastructure, policy, and human capital development. This categorization is also supported by the IMF's AI Preparedness Index,[17] which places Brazil, Chile, and Uruguay higher than countries like Honduras and Bolivia, confirming the gap in foundational readiness across the region.

Additionally, the figure includes "World: HIC [High-Income Countries]" as a benchmark bar, with total AI exposure reaching 43 percent. While an aggregate AI Readiness Score is not available for this group, the exposure benchmark, derived from the ILO Working Paper ("Buffer or Bottleneck?"),[18] offers a useful point of comparison, showing the gap between Latin America and more advanced economies in AI adoption, policy frameworks, and workforce preparation.

Without targeted action, countries with lower readiness risk falling further behind as more advanced economies move ahead with the infrastructure, skills, and safeguards needed to capture the benefits of AI.

3.2 Country Groupings of Automation Based on AI Readiness

Countries with high AI readiness (Brazil, Chile, Uruguay) show low automation risk (2–5 percent), primarily uncertain workforce impacts (20–22 percent), and moderate augmentation opportunities (11–13 percent). These nations have invested in AI capabilities, but the uncertainty surrounding workforce adaptation highlights the need for proactive labor-market policies, workforce reskilling, and AI governance improvements.

Middle-ranked adopters (Colombia, Mexico, Dominican Republic, Panama, Ecuador) exhibit moderate readiness scores and workforce exposures that reflect early AI adoption phases: modest automation risk (2–4 percent), uncertainty (14–19 percent), and augmentation potential (11–14 percent). Peru stands out within this group, displaying significantly lower workforce exposure (3 percent automation risk, 14 percent uncertain impact, 13 percent augmentation potential) despite its moderate AI readiness score (53.29). This indicates AI integration remains relatively limited, suggesting opportunities to proactively expand adoption with fewer immediate disruptions.

Costa Rica and the Dominican Republic are notable outliers in this group, with higher workforce exposure despite moderate readiness scores. For instance, Costa Rica (AI readiness: 56.85) shows 5 percent automation risk, 19 percent uncertain impact, and 14 percent augmentation potential. The Dominican Republic (AI readiness: 52.69) similarly has high exposure with 4 percent automation risk, 18 percent uncertainty, and 14 percent augmentation. This mismatch indicates these countries could face workforce disruptions sooner, highlighting the urgency of targeted investments in AI infrastructure, talent, and industry integration.

Countries with lower AI readiness scores (Honduras, Bolivia, El Salvador, Guatemala) exhibit a concerning mismatch between their preparedness and their workforce's exposure to AI. El Salvador (34 percent), Guatemala (36 percent), and Honduras (29 percent) demonstrate substantial workforce exposure, primarily uncertainty, despite limited AI maturity. This suggests AI–driven changes may arrive before proper governance, infrastructure, and reskilling initiatives are in place. For these countries, the current low AI readiness delays immediate disruptions but indicates significant future vulnerability. Investment in foundational infrastructure, AI talent, and policy frameworks is urgently needed to avoid widening gaps as AI adoption increases.

Some countries may face AI–driven shifts long before they are equipped to manage them, increasing the risk that today's limitations in infrastructure, governance, and skills will evolve into lasting disadvantages.

3.3 Occupational Exposure to AI

The extent to which AI impacts different occupations varies significantly across Latin American countries, shaped by economic development, workforce composition, and technological adoption. Some roles are well-positioned to benefit from AI augmentation while others face higher risks of automation or uncertain future impacts.

To better understand these dynamics, the figures below highlight key occupations (ISCO two-digit categories)[19] where at least 25 percent of workers fall within a particular exposure category. This helps identify priority areas for intervention, workforce reskilling, and policy action.

Each bar chart categorizes workforce exposure into five key groups:

- **Augmentation and Computer:** Jobs integrating digital tools that benefit from AI assistance, enhancing productivity without replacing workers.
- **Augmentation and No Computer:** Roles with augmentation potential but limited digital infrastructure, limiting immediate AI integration.
- **Automation and Computer:** Roles at significant automation risk due to routine tasks already conducted digitally.
- **Big Unknown and Computer:** Digitally integrated occupations with uncertain AI impacts, potentially shifting between augmentation and automation.
- **Big Unknown and No Computer Jobs:** Jobs without digital integration and with unclear AI impacts; future exposure depends heavily on broader economic and technological developments.

As AI adoption advances, workers in roles with limited digital access or unclear exposure may have fewer opportunities to adapt, placing them at a disadvantage compared to those in more digitally integrated occupations.

3.4 AI Occupational Exposure Across Regions

The following figures provide a visual breakdown of how AI exposure varies across occupations in each region. While some sectors benefit from augmentation, others face automation risks or uncertainty, shaping the future of AI–driven labor markets in Latin America.

The data compares AI exposure across three distinct country clusters, showing variations in workforce integration and digital adoption:

- **Regional Leaders:** Countries with higher AI readiness and greater digital adoption, such as Brazil, Chile, and Uruguay.
- **Emerging Adopters:** Nations with moderate AI integration and growing adoption, including Colombia, Mexico, the Dominican Republic, Costa Rica, Panama, and Ecuador.
- **Developing Markets:** Economies with lower AI readiness and limited workforce integration, such as Bolivia, Guatemala, El Salvador, and Honduras.

The following figures break down AI exposure across occupations within these three regional clusters. Each chart highlights key roles where AI is augmenting workers, driving automation risks, or creating uncertainty about the future of work.

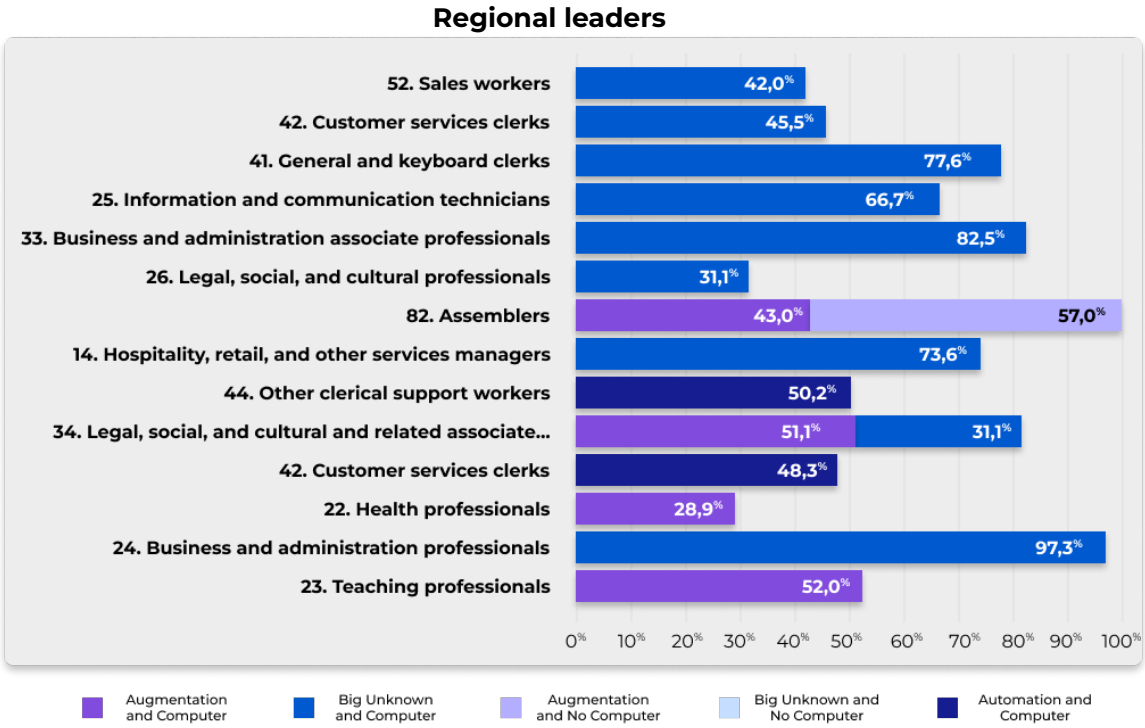

Figure 2. AI Exposure Across Occupations in Regional Leaders

Source: Gmyrek, J., Winkler, H., and Garganta, S., "Buffer or Bottleneck? Employment Exposure to Generative AI and the Digital Divide in Latin America," ILO Working Paper No. 121, Geneva: International Labour Organization, 2024.

These countries exhibit high readiness for AI integration, particularly in education and health-related professions. However, administrative and customer service roles face significant automation risks, as many of these tasks are already digitized. Figure 2 illustrates how AI impacts different occupations in these advanced markets, distinguishing roles that benefit from augmentation from those at risk of automation.

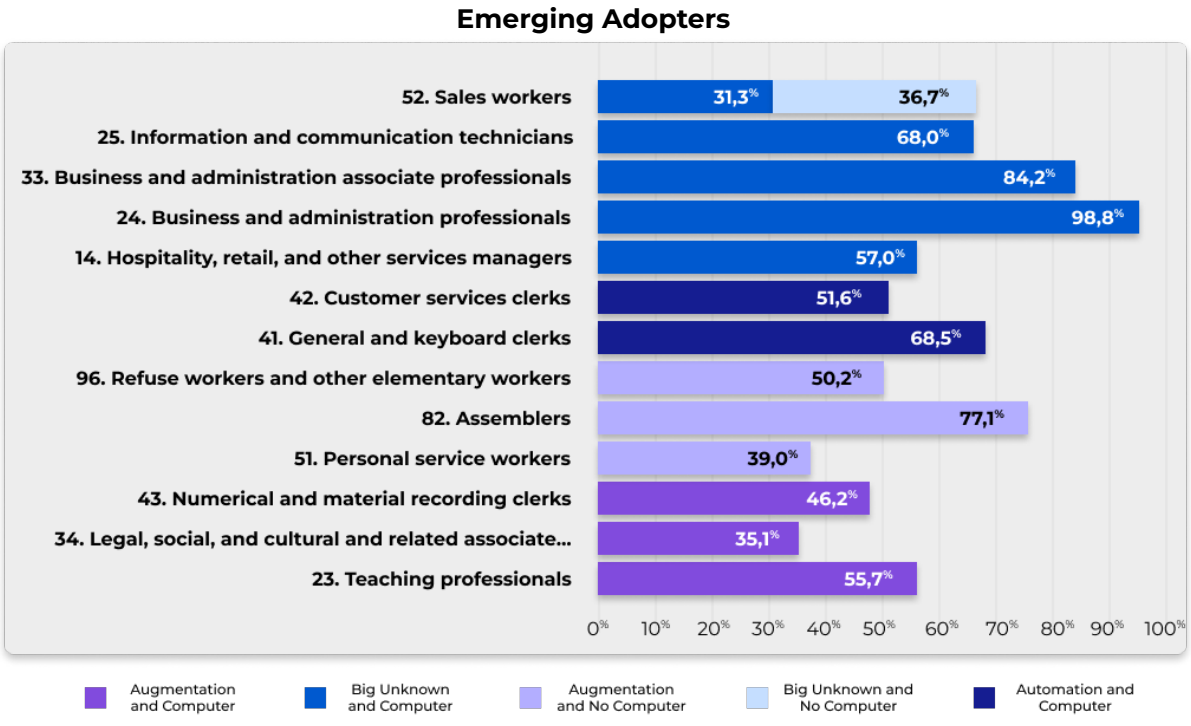

Figure 3. AI Exposure Across Occupations in Emerging Adopters

Source: Gmyrek, J., Winkler, H., and Garganta, S., "Buffer or Bottleneck? Employment Exposure to Generative AI and the Digital Divide in Latin America," ILO Working Paper No. 121, Geneva: International Labour Organization, 2024.

While some occupations show early signs of AI integration, many still rely on human labor with limited digital augmentation. This uneven adoption highlights the challenge of scaling AI consistently across different workforce segments. Figure 3 shows how AI is reshaping occupations in these economies with a mix of augmentation, automation risk, and workforce uncertainty.

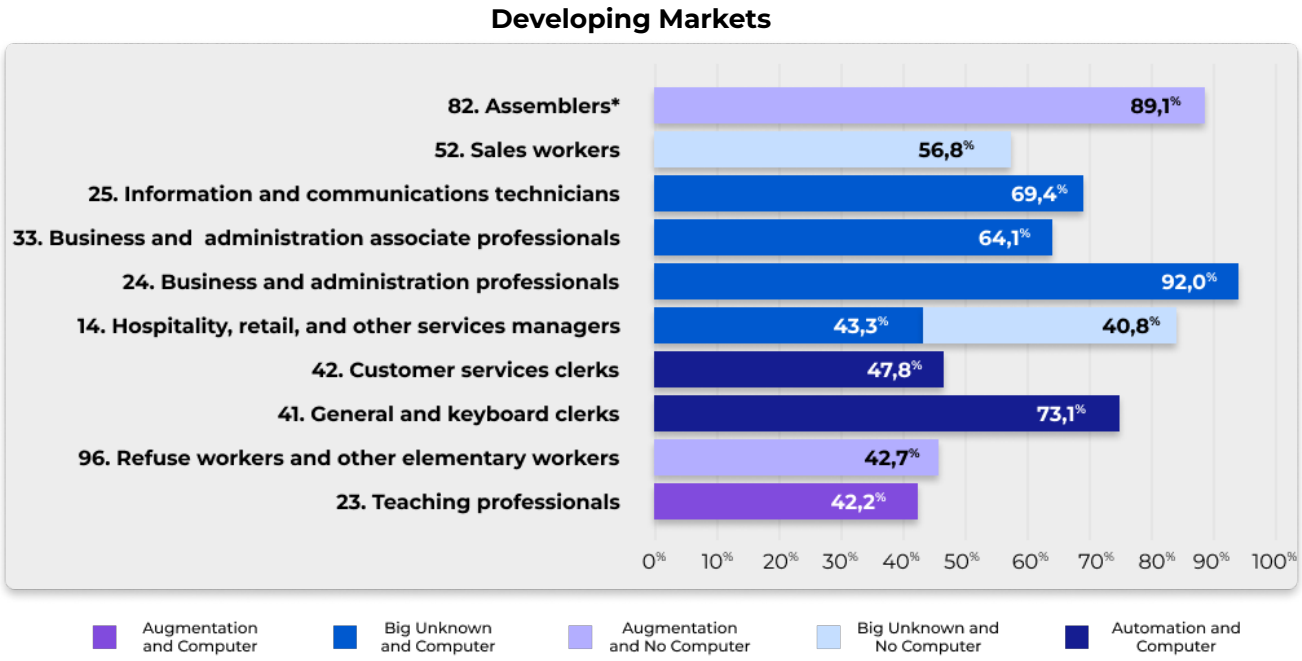

Figure 4. AI Exposure Across Occupations in Developing Markets

Source: Gmyrek, J., Winkler, H., and Garganta, S., "Buffer or Bottleneck? Employment Exposure to Generative AI and the Digital Divide in Latin America," ILO Working Paper No. 121, Geneva: International Labour Organization, 2024.

* Data presented for Assemblers (ISCO 82) is averaged from El Salvador and Honduras only.

Developing markets have limited AI adoption and digital infrastructure, making workforce integration highly vulnerable. Most occupations in these countries lack the technological foundation needed to support AI augmentation, with a large share falling into the "big unknown" category, where AI's impact remains uncertain.

Figure 4 illustrates how AI exposure differs across occupations in these economies, showing which workforce segments are most affected by delayed digital development. As AI continues to expand, workers in countries with limited infrastructure and weak integration face a real risk of being excluded from the benefits others are starting to access.

This gap will only widen without intentional investment in the infrastructure, skills, and policies needed to build a sustainable ecosystem for inclusive AI integration.

3.5 Occupational Exposure to AI: Augmentation, Automation, and Uncertainty

Teaching professionals (23) consistently benefit across all regions, with AI exposure ranging from 42.2 percent to 55.7 percent, with AI enhancing rather than replacing human educators. Other occupations also benefit, but this varies by region. In emerging adopters, legal, social, and cultural professionals (34) and numerical and material recording clerks (43) show clear augmentation advantages.

Assemblers (82) present a distinct pattern across the three regional groups:

- In regional leaders, 43 percent are exposed to augmentation and computer, leveraging collaborative robots to enhance efficiency while still requiring human oversight. Another 57 percent are exposed to augmentation and no computer, indicating that while processes are improving, AI integration remains limited.

- In emerging adopters, 77.1 percent are exposed to augmentation and no computer, meaning that augmentation occurs primarily through manual process enhancements rather than AI–driven automation.

- In developing markets, 89.1 percent are exposed to augmentation and no computer, reflecting a heavy reliance on manual augmentation due to limited digital infrastructure and high costs associated with full automation.

Customer service clerks (42) have an overall AI exposure ranging from 47.8 percent to 51.6 percent, with automation risk increasing as AI–driven chatbots, virtual assistants, and automated recordkeeping take over administrative tasks. In regional leaders, other clerical support workers (44) have an AI exposure of 50.2 percent, also facing significant automation risk.

General and keyboard clerks (41) face a high risk of automation in emerging adopters, with 68.5 percent AI exposure, and in developing markets, with 73.1 percent AI exposure, both under the automation and computer category, indicating that AI is increasingly replacing tasks in these roles.

In regional leaders, while some automation data is recorded, AI exposure remains below 25 percent in most cases, making it difficult to assess the full impact. However, available data places these roles in the “big unknown and computer” category with 77.6 percent AI exposure, suggesting that while AI integration is significant, it remains unclear whether this will lead to full automation or augmentation in the future.

Several occupations consistently show uncertain AI exposure, where the impact of AI remains unclear between augmentation and automation.

Sales workers (52) experience mixed uncertainty across all three regions:

- In regional leaders, 42 percent are exposed to big unknown and computer, indicating that AI is already embedded in sales processes, but its long-term impact remains unclear. AI–driven tools like CRM systems, predictive analytics, and automated outreach may increase efficiency or, in some cases, reduce reliance on human sales representatives.

- In emerging adopters, 31.3 percent are exposed to big unknown and computer while 36.7 percent are exposed to big unknown and no computer. This split suggests that AI's role varies depending on industry and digital adoption levels. Some businesses are digitizing sales functions, while others remain reliant on traditional, human-driven methods.

- In developing markets, 56.8 percent are exposed to big unknown and no computer, suggesting that AI adoption in sales is still low, with an uncertain future impact. Most sales roles are currently manual, and it is unclear whether AI integration will expand or if these positions will continue to be human-driven.

Hospitality, retail, and other service managers (14) have AI exposure ranging from 40.8 percent to 73.6 percent, split between digital and non-digital categories within big unknown and computer. However, the extent to which AI is augmenting or automating these roles remains unclear. Data for big unknown and no computer is unavailable, as only exposures above 25 percent are recorded. In developing markets, this divide is particularly evident, with big unknown and no computer showing 40.8 percent exposure, highlighting that augmentation with computers remains limited.

Information and communications technicians (25) with exposure ranging from 66.7 percent to 69.4 percent, business administration associate professionals (33) with exposure from 64.1 percent to 84.2 percent, and business and administration professionals (24) with exposure from 92 percent to 97.3 percent all fall under big unknown and computer. Across emerging adopters, regional leaders, and developing markets, these digitally integrated roles face an uncertain AI impact.

AI is reshaping the workforce unevenly, with mid-skilled workers facing the greatest risk of automation. However, some may also experience AI augmentation that enhances productivity rather than leading to direct replacement. Highly educated professionals are more likely to integrate AI to improve efficiency while

low-skilled jobs remain less exposed due to their manual and service-oriented nature. As AI adoption accelerates, uncertainty persists for many digitally integrated occupations, where the balance between augmentation and automation remains unclear. Many of these occupations are found in sectors with high informality or limited access to labor protections, which may leave affected workers without sufficient support during periods of change.[20]

Whether these shifts lead to workforce transformation or displacement will depend on how businesses, policymakers, and workers anticipate these changes and adapt in time. Workers in occupations marked by both high exposure and low support may face a future defined more by constraint than opportunity.

4.

Bridging Readiness and Risk: Priorities for an Inclusive AI Transition

This analysis has shown that the impact of AI on labor markets in Latin America is shaped less by the technology itself and more by how prepared countries are to integrate it. Readiness is not evenly distributed. The following themes reflect where action is most needed, linking directly to the risks identified across countries, occupations, and institutional settings.

4.1 Align Workforce Preparedness with AI Readiness

The greatest factor influencing whether AI adoption benefits or disrupts Latin American labor markets is not the technology itself but the level of workforce and institutional readiness. Countries with high AI readiness but limited workforce preparation face growing risks of mid-skilled job displacement. In contrast, targeted investments in reskilling and stronger labor policies can turn disruption into opportunity.

Identified Inequality:

Countries with limited workforce preparedness face significant displacement risks, particularly affecting mid-skilled and vulnerable workers, potentially exacerbating economic and social inequality.

Policy Recommendations:

For governments and institutions:

- Expand workforce reskilling programs tailored specifically for mid-skilled and vulnerable workers.
- Align national AI strategies clearly with evolving labor-market demands.
- Strengthen public-private partnerships for workforce upskilling and reskilling initiatives.

For businesses:

- Prioritize AI augmentation strategies over automation approaches.
- Develop structured, internally driven reskilling pathways.
- Engage proactively in partnerships with educational and governmental institutions for coordinated workforce preparation.

For individuals:

- Actively participate in available AI–focused training and reskilling programs.
- Cultivate adaptability and digital literacy to mitigate individual employment risks and enhance career resilience.

4.2 Strengthen Social Protection to Support Workforce Transitions

The occupational analysis reveals a broader challenge tied to economic vulnerability. Many workers affected by artificial intelligence, especially those in informal employment or nearing retirement, lack access to systems that could help them manage transition risks. In Latin America and the Caribbean, only 56.3 percent of the population is covered by at least one form of social protection benefit. As of 2023, just 10 percent of unemployed individuals received cash benefits, demonstrating persistent gaps in supporting workers displaced by technological change. Without adequate safety nets, transitions driven by automation or augmentation may increase economic insecurity and reduce trust in digital transformation efforts.

Identified Inequality:

Workers in informal sectors and those nearing retirement lack sufficient protection, exacerbating economic vulnerability and inequality during AI–driven labor transitions.

Policy Recommendations:

For governments and institutions:

- Expand unemployment benefits and retraining programs, specifically targeting informal and transitioning workers.
- Strengthen existing social protection frameworks to better address economic displacement caused by AI adoption.
- Ensure comprehensive, flexible safety nets are established proactively, not reactively.

For businesses:

- Provide internal retraining and transitional support for displaced or transitioning workers.
- Collaborate with public institutions to strengthen industry-specific protections.

For individuals:

- Actively utilize retraining and social support programs provided by governments and employers.
- Develop personal contingency plans and continuous learning strategies to navigate transitions proactively.

4.3 Strengthen Data Governance for Inclusive and Responsible AI Use

As AI systems increasingly rely on personal and labor-related data, concerns over privacy, digital sovereignty, and data use are reshaping how countries approach regulation. Aligning national policies with global standards such as the General Data Protection Regulation (GDPR) and investing in locally trained AI models that reflect regional realities enable governments to guide AI adoption in ways that strengthen labor markets and protect public trust. These efforts are essential to ensure that technological progress reflects both national priorities and regional contexts.

Identified Inequality:

Weak data governance frameworks risk creating digital divides, compromising privacy, trust, and equitable AI adoption across populations.

Policy Recommendations:

For governments and institutions:

- Align national data governance frameworks with global standards (GDPR).
- Invest in national data infrastructure and develop locally trained AI models reflective of regional realities and values.
- Promote transparency and accountability in AI applications across sectors.

For businesses:

- Implement clear ethical guidelines and governance standards within AI operations, ensuring worker and consumer data privacy is protected.
- Engage actively with policymakers to develop industry standards that prioritize inclusivity and fairness.

For individuals:

- Increase personal digital literacy around data privacy rights and responsible AI usage.
- Advocate for inclusive, transparent AI policies at community and national levels.

4.4 Expand Support for Small Firms to Accelerate AI Integration

Small and medium-sized enterprises (SMEs) make up 99.5 percent of businesses and account for approximately 60 percent of formal employment in Latin America and the Caribbean.[21] Many of these firms face barriers in accessing the infrastructure, funding, and training needed to integrate AI effectively. Limited access to funding is a critical barrier for SMEs. Direct financial mechanisms, such as grants, can significantly reduce these funding barriers by enabling smaller firms to overcome initial investment hurdles and adopt emerging technologies like AI. In some countries, the relatively low cost of labor reduces the incentive to automate, especially among smaller firms. Moreover, according to the OECD,[22] many SMEs operate in sectors with limited capacity to adopt new technologies. Supporting SMEs is central to making AI adoption more inclusive across the economy.

Identified Inequality:

SMEs face disproportionate barriers to AI integration, limiting their competitiveness and risking broader economic exclusion.

Policy Recommendations:

For governments and institutions:

- Provide targeted incentives, grants, and accessible AI tools tailored specifically for SMEs.
- Invest significantly in digital infrastructure and tailored skills training for SME sectors.

For businesses (SME–focused consortia and large firms):

- Establish collaborative platforms that share affordable AI solutions, resources, and best practices with SMEs.
- Support SME integration into broader industry value chains through technology partnerships.

For individuals (entrepreneurs and SME employees):

- Take advantage of SME–specific government programs and training resources to build AI capabilities and remain competitive.

4.5 Build Institutional Capacity and Infrastructure for Inclusive AI Integration

AI adoption depends on more than technology alone. Many countries in the region still face limitations in electricity, internet access, and institutional capacity, which restrict how quickly and equitably AI can be implemented. Without reliable digital infrastructure and clear governance frameworks, scaling AI risks deepening divides instead of closing them. Building AI capacity also requires institutions that can coordinate across sectors and ensure policy alignment. Investing in cloud-based infrastructure, improving energy reliability, and creating systems for AI oversight are essential steps toward enabling meaningful integration.

Identified Inequality:

Infrastructure and institutional capacity gaps in lower-readiness countries severely restrict equitable AI adoption, risking a widening economic and digital divide.

Policy Recommendations:

For governments and institutions:

- Significantly expand reliable electricity and broadband internet infrastructure, particularly in underserved regions.
- Build cross-sector institutional frameworks capable of governing AI adoption strategically.
- Invest in secure, locally hosted cloud-based infrastructures to support AI development and deployment.

For businesses:

- Actively participate in infrastructure development through public-private partnerships.
- Advocate for clear governance structures that provide stable regulatory environments and foster innovation.

For individuals:

- Advocate for improved infrastructure development through civic engagement and community-based initiatives.
- Leverage new infrastructure to enhance personal digital competencies and employment opportunities.

Table 1 below synthesizes these policy priorities by grouping countries based on their AI readiness and workforce exposure, clearly outlining targeted actions needed for each category.

Category	Countries	AI Readiness	Workforce Impact	Key Actions
Regional Leaders	Brazil, Chile, Uruguay	High AI readiness with increasing workforce exposure to AI	→ 2–5% risk of automation → 20–22% uncertain impact → 11–13% augmentation potential	Expand workforce reskilling, enhance policy frameworks, and strengthen industry partnerships.
Emerging Adopters	Colombia, Mexico, Dominican Republic, Peru, Costa Rica, Panama, Ecuador	Moderate AI readiness with growing AI adoption	→ 2–5% risk of automation → 14–19% uncertain impact → 11–14% augmentation potential	Invest in AI–integrated education, digital infrastructure, and industry-specific AI strategies.
Developing AI Markets	Bolivia, Guatemala, El Salvador, Honduras	Low AI adoption, slower AI workforce integration	→ 2–3% risk of automation → 13–21% uncertain impact → 7–13% augmentation potential	Prioritize digital access, workforce readiness, and AI governance to prevent widening economic gaps.

Table 1. Strategic Priorities by Country Group Based on AI Readiness and Workforce Exposure

Source: Oxford Insights (Government AI Readiness Index), Gmyrek, J., Winkler, H., and Garganta, S., "Buffer or Bottleneck? Employment Exposure to Generative AI and the Digital Divide in Latin America," ILO Working Paper No. 121, Geneva: International Labour Organization, 2024. Key Actions reflect the author's analysis and interpretation.

- **Regional Leaders:** Workforce adaptation lags despite high AI readiness. These countries need reskilling programs and stronger policy frameworks.
- **Emerging Adopters:** Some face higher-than-expected disruption risks, requiring targeted investments in AI education and infrastructure.
- **Developing AI Markets:** Slower workforce integration and low readiness require urgent investments in digital infrastructure and governance reforms.

The themes above highlight where gaps exist across workforce readiness, institutional support, governance, and digital infrastructure. These challenges are not evenly distributed across the region. A successful AI transition requires strategies that reflect each country's context while strengthening the core foundations needed for inclusive adoption.

5.

Limitations and Future Direction

While this methodology provides a structured approach to assessing AI's impact, several limitations should be acknowledged:

- **Data Limitations and Evolving Conditions:** The analysis relies on secondary data, which may not fully reflect real-time shifts in industry needs or the dynamics of informal labor markets. Ongoing technological and policy changes could also outpace existing projections.
- **Occupational Classification Constraints:** Using broad occupation groups can obscure key differences between job types, especially within diverse and informal economies.
- **Internal Digital Divides:** Gaps between rural and urban areas or across sectors may be underestimated, even though they shape how AI is adopted and experienced.
- **Gaps in Policy Execution:** AI readiness indicators reflect formal strategies but do not show how effectively policies are implemented across labor and education systems.

These limitations point to important areas for future work. More detailed, country-level research is needed to capture differences in digital infrastructure, informality, and education access. Gathering real-time data on how workers experience AI adoption—especially in small firms and underserved communities—can help strengthen response strategies. Building stronger feedback loops between labor market data, national policies, and regional cooperation will be key to guiding a fair and sustainable digital transition.

Conclusion

AI is not just a technological shift; it is reshaping the future of work. Across Latin America, countries face different challenges depending on their level of readiness, but one trend is clear: preparation, not just adoption, will determine whether AI becomes a tool for inclusion or a driver of deeper inequality. Countries with strong infrastructure but limited workforce planning face growing risks of mid-skilled job displacement. In contrast, those investing in training, policy alignment, and cross-sector coordination are better positioned to ensure AI supports inclusive labor market outcomes.

For higher-readiness economies, the increasing exposure to AI demands urgent action on workforce reskilling, industry collaboration, and policy integration. Emerging adopters must accelerate investments in AI–integrated education and infrastructure to close skill gaps. Lower-readiness countries need to prioritize digital access and institutional capacity to avoid being left behind.

At the occupational level, roles such as administrative, clerical, and customer service jobs face the greatest risk of automation. Others—including teaching professionals, legal professionals, and numerical clerks—show more potential for augmentation, particularly in countries advancing along the AI curve. Yet in many digitally integrated roles, the impact remains uncertain, and that uncertainty calls for stronger preparedness, not hesitation.

Broader policy concerns, including data protection, digital sovereignty, and strengthened social safeguards, will significantly shape AI's impact on labor markets. Small and medium-sized enterprises—which form the backbone of Latin America's economies—still face major barriers to AI integration, including limited access to technology, funding, and training.

The region's future will be shaped by how clearly and actively governments, businesses, and individuals engage with AI. Public institutions must invest strategically, businesses must act responsibly and inclusively, and individuals must pursue continuous learning. Without these actions, AI risks reinforcing existing inequalities rather than catalyzing sustainable and inclusive growth.

Appendix A
AI Exposure and Readiness Metrics by Country

Appendix A provides the AI readiness scores and workforce exposure metrics used in the analysis across selected Latin American countries.

Country	AI Readiness Score	Automation Potential (%)	Augmentation Potential (%)	The Big Unknown (%)
World: HIC		5%	14%	24%
Brazil	65.89	2%	13%	22%
Chile	63.19	3%	13%	20%
Uruguay	62.21	5%	11%	21%
Colombia	59.33	3%	14%	18%
Perú	57.11	3%	13%	14%
Costa Rica	56.85	5%	14%	19%
Mexico	53.29	2%	14%	18%
Dominican Republic	52.69	4%	14%	18%
Panama	44.39	4%	12%	15%
Ecuador	41.46	2%	11%	14%
Guatemala	36.41	3%	7%	21%
El Salvador	34.09	4%	13%	15%
Bolivia	33.08	2%	12%	13%
Honduras	29.83	2%	8%	19%

Source: Data compiled by the author based on Oxford Insights (Government AI Readiness Index) and Gmyrek, J., Winkler, H., and Garganta, S., "Buffer or Bottleneck? Employment Exposure to Generative AI and the Digital Divide in Latin America," ILO Working Paper No. 121, Geneva: International Labour Organization, 2024.

Appendix B
Occupational Exposure to AI by Readiness Group

Appendix B displays the occupational AI exposure classifications by country group based on the workforce segmentation used in the analysis.

Region	Occupation	Augmentation and Computer	Augmentation and No Computer	Automation and Computer	Big Unknown and Computer	Big Unknown and No Computer
Regional Leaders	23. Teaching professionals	52.0%				
Regional Leaders	24. Business and administration professionals				97.3%	
Regional Leaders	22. Health professionals	28.9%				
Regional Leaders	42. Customer services clerks			48.3%		
Regional Leaders	34. Legal, social, and cultural, and related associate professionals	51.1%			31.1%	
Regional Leaders	44. Other clerical support workers			50.2%		
Regional Leaders	14. Hospitality, retail, and other services managers				73.6%	
Regional Leaders	82. Assemblers	43.0%	57.0%			
Regional Leaders	26. Legal, social, and cultural professionals				31.1%	
Regional Leaders	33. Business and administration associate professionals				82.5%	
Regional Leaders	25. Information and communications technicians				66.7%	
Regional Leaders	41. General and keyboard clerks				77.6%	
Regional Leaders	42. Customer services clerks				45.5%	
Regional Leaders	52. Sales workers				42.0%	
Region	**Occupation**	**Augmentation and Computer**	**Augmentation and No Computer**	**Automation and Computer**	**Big Unknown and Computer**	**Big Unknown and No Computer**
Emerging Adopters	23. Teaching professionals	55.7%				
Emerging Adopters	34. Legal, social, and cultural, and related associate professionals	35.1%				
Emerging Adopters	43. Numerical and material recording clerks	46.2%				
Emerging Adopters	51. Personal service workers		39.0%			

Emerging Adopters	82. Assemblers		77.1%			
Emerging Adopters	96. Refuse workers and other elementary workers		50.2%			
Emerging Adopters	41. General and keyboard clerks			68.5%		
Emerging Adopters	42. Customer services clerks			51.6%		
Emerging Adopters	14. Hospitality, retail, and other services manager				57.0%	
Emerging Adopters	24. Business and administration professionals				95.8%	
Emerging Adopters	33. Business and administration associate professionals				84.2%	
Emerging Adopters	25. Information and communications technicians				68.0%	
Emerging Adopters	52. Sales workers				31.3%	36.7%
Region	**Occupation**	**Augmentation and Computer**	**Augmentation and No Computer**	**Automation and Computer**	**Big Unknown and Computer**	**Big Unknown and No Computer**
Developing Markets	23. Teaching professionals	42.2%				
Developing Markets	96. Refuse workers and other elementary workers		42.7%			
Developing Markets	41. General and keyboard clerks			73.1%		
Developing Markets	42. Customer services clerks			47.8%		
Developing Markets	14. Hospitality, retail, and other services managers				43.3%	40.8%
Developing Markets	24. Business and administration professionals				92.0%	
Developing Markets	33. Business and administration associate professionals				64.1%	
Developing Markets	25. Information and communications technicians				69.4%	
Developing Markets	52. Sales workers					56.8%
Developing Markets	82. Assemblers		89.1%			

Source: Gmyrek, J., Winkler, H., and Garganta, S., "Buffer or Bottleneck? Employment Exposure to Generative AI and the Digital Divide in Latin America," ILO Working Paper No. 121, Geneva: International Labour Organization, 2024. Data adapted from Figure 13.

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Dr. Carla Andrea Maldonado Valencia is a global strategy and workforce transformation leader with expertise in corporate strategy, workforce development, and future skills. She turns complex data into clear decisions that help businesses navigate evolving markets, align strategy with impact, and drive sustainable growth. With experience across public and private sectors in Latin America, North America, Europe, Asia, Africa, and the Middle East, she has led programs bringing together technology, talent, and transformation. Her work explores how innovation reshapes the way people work, learn, and lead and how organizations can scale inclusive progress. She holds a PhD in political economy, complemented by studies in data science and business analytics, diplomacy, organizational leadership, and international business. This interdisciplinary foundation enables her mission to translate technological change into practical gains for workforces and economies worldwide.

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The Digital Economist, based out of Washington D.C. is an ecosystem of 40,000+ executives and senior leaders dedicated to creating the future we want to see: where digital technologies serve humanity and life. We work closely with governments and multi-stakeholder organizations to change the game: how we create and measure value. With a clear focus on high-impact projects, we serve as partners of key global players in co-building the future through scientific research, strategic advisory and venture build out. We are industry-agnostic as most high-impact projects touch many different industries. Our portfolio ranges from energy transition to ethics in emerging technology.

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