The impact of the COVID-19 pandemic on jobs and incomes in G20 economies

3rd meeting of the G20 Employment Working Group, 19 August 2020
COVID-19: An unprecedented crisis, an unprecedented response

Following its outbreak in Q4 2019, the virus rapidly became a pandemic

- Over 13 million confirmed cases worldwide (76% within G20)
- 570,000 deaths (86% within G20) as of Jul 2020

In response

- Countries around the world introduced unprecedented containment measures to “flatten the curve”
- Individuals stopped moving (fall in mobility of between 30-70%)
A severe contraction in economic activity ...

- Industrial production declined by 28% on average in just 2 months (Feb-Apr)
- OECD projections imply a contraction in G20 economies of
  - 5.8% if a second wave is averted
  - 7.3% if it is not
- The strength of the recovery remains very uncertain. Forecasts range between 3.1-5.5% growth rebound depending on whether a second wave is averted

Source: OECD Economic Outlook 107 database; OECD Economic Outlook 106 database; and OECD calculations.
... and a concomitant large fall in hours of paid work

Projected decline in hours and employment between Q4 2019 and Q2 2020

<table>
<thead>
<tr>
<th></th>
<th>Number of jobs lost in full-time equivalents (millions)</th>
<th>Total hours of paid work lost (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Assuming 40-hour work week</td>
<td>Assuming 48-hour work week</td>
</tr>
<tr>
<td>G20</td>
<td>320</td>
<td>265</td>
</tr>
<tr>
<td>G20: Advanced economies</td>
<td>70</td>
<td>55</td>
</tr>
<tr>
<td>G20: Emerging economies</td>
<td>250</td>
<td>210</td>
</tr>
</tbody>
</table>

Note: working-hour losses in the second quarters of 2020 relative to the fourth quarter of 2019

- Fall in hours captures total impact of:
  - Change in the **number of people** at work
  - **Reduction in working hours** per week for those workers still at work.

- Between Dec ‘19 – Apr ‘20 declines in persons working ranged from nearly 40% in Mexico to around 8-9% in Japan and Korea

- On average, **6 times** the total decline from peak to trough of the GFC
The outlook for 2020 is highly uncertain

Our baseline scenario suggests a global working hours gap of 4.9%

This would be the equivalent of 140 million full time equivalent jobs (assuming a 48-hour working week)

The increase in global unemployment from 2007 to 2009 was estimated to be 34 million people

Source: ILO Monitor: COVID-19 and the world of work. Fifth edition, Updated estimates and analysis, 30 June 2020
The impact of the crisis has fallen with unequal severity

**Self-employed, temporary and part-time workers**
- Concentrated in sectors most affected
- Less protected by existing safety nets
  - Job retention schemes
  - Unemployment insurance

**Informal workers**
- Over two in three are estimated to have been impacted by the crisis
- Earnings estimated to have fallen by over 60%
- Ineligible for the majority of support measures

**Youth**
- Tend to be over-represented in precarious jobs and hard-hit industries
- Bleak prospects for 2020 graduates

**Women**
- Majority of health workers in nearly all G20 countries.
- Higher work burden at home
- Larger initial job losses
G20 countries took rapid and bold measures (1/2)

Reducing workers’ exposure to Covid-19

- Relaxing existing legislation or introduce new options for telework.
- Assisting SMEs to develop teleworking capacity, including in cooperation with tech companies.
- Increasing health and safety requirements.

Income support to sick or quarantined workers

- Extending coverage and duration notably for non-standard workers and include quarantine.
- Reimbursing employers if they provide paid sick leave to quarantined workers.
- Adapting sickness certification requirements.

Helping dealing with unforeseen care needs

- Alternative care arrangements and financial support.
- Financial subsidies to employers who provide workers with paid leave.
- Adapting telework requirements to workers’ caring responsibilities.
G20 countries took rapid and bold measures (2/2)

**Short-time work schemes to preserve jobs**
- Introducing or extending schemes.
- Simplifying procedures and providing easy access to online information.
- Promoting the uptake of online training.

**Income support to workers losing their jobs or self-employment income**
- Extending access to unemployment benefits, including to workers in diverse forms of employment.
- Helping workers to work from and stay at home.

**Financial support to firms affected by a drop in demand**
- Deferring tax and social contribution payments.
- Setting up financial facilities to temporarily support companies’ liquidity.
Now governments must maintain agility: Adapting policies for a resilient recovery

<table>
<thead>
<tr>
<th>Staying safe</th>
<th>Income support</th>
<th>Job Retention Schemes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supporting firms to increase health and safety measures</td>
<td>Extend sick leave entitlements to all on a permanent basis</td>
<td>Tailor support on a sector specific basis</td>
</tr>
<tr>
<td>Extend sick leave entitlements to all on a permanent basis</td>
<td>Strengthen targeting and address cliff edges in income support measures</td>
<td>Target to jobs viable in long term</td>
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<tr>
<td>Enhance rehabilitation support to prevent moves to long-term unemployment</td>
<td>Gradually reintroduce job search requirements as employment picks up</td>
<td>Encourage STW workers to register with PES and enroll in training</td>
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</table>
### And Building Back Better

<table>
<thead>
<tr>
<th>Protect workers in diverse forms of employment</th>
<th>Prevent “scarring” of young people</th>
<th>Promote greater gender equality</th>
<th>Help low-paid and displaced workers</th>
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</thead>
<tbody>
<tr>
<td>• Permanently address social protection gaps</td>
<td>• Support for companies who offer jobs or work experience to young people to promote job creation in times of crisis</td>
<td>• Tackle the unequal care burden on women</td>
<td>• Boost job creation through targeted tax cuts, subsidies and investment programs.</td>
</tr>
<tr>
<td>• Increase responsiveness of minimum income benefits</td>
<td>• Ensure effective outreach to re-establish contact with young people who recently lost their jobs or left school</td>
<td>• Strengthen family-friendly working-time arrangements</td>
<td>• Establish systems to deliver timely &amp; flexible employment support &amp; training for all</td>
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<td></td>
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<td>• Promote women in managerial and leadership positions</td>
<td>• Increase PES capacity &amp; spending on ALMPs to reflect higher jobseeker numbers</td>
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