Policy Brief: 
The World of Work and COVID-19

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Executive Summary

The COVID-19 pandemic has turned the world of work upside down. It is having a dramatic effect on the jobs, livelihoods and well-being of workers and their families and on enterprises across the globe, particularly the small and medium sized. While certain sectors and industries have successfully moved online, pointing the way towards exciting innovations in the world of work, millions of workers have lost their livelihoods and many more – especially women who are concentrated in highly exposed sectors – remain at risk. As with so many aspects of this pandemic, the impacts are falling disproportionately on those who were already in precarious circumstances and who can least absorb the additional blow.

Measures necessary to mitigate the impacts of the COVID-19 virus have had significant knock-on effects on societies and economies. By mid-May 94 percent of the world’s workers were living in countries with some type of workplace closure measures in place.\(^1\) Massive losses in working hours which are equivalent to 305 million full-time jobs are predicted for the 2nd quarter 2020, while 38 percent of the workforce – some 1.25 billion workers – is employed in high-risk sectors.\(^2\)

The impacts of these developments vary considerably between groups of people and countries, depending to a large extent on pre-existing inequalities and government interventions. Those toiling in the informal economy – often without rights at work and social protections – suffered a sixty percent decline in earnings in the first month of the crisis alone. Young people account for more than four in ten employed globally in hard-hit sectors. Combined with disruptions in education and training, this places them at risk of becoming a ‘lockdown generation’ that will carry the impacts of this crisis with them for a long time. Women are disproportionately employed in critically affected sectors such as service, hospitality, tourism and are also impacted by the shifting of economic activity into the domestic sphere, where they carry the majority of increasing levels of unpaid care work.\(^3\) Small and medium-sized enterprises – the engine of the global economy – are suffering immensely and many may not recover. As is the case for the entire crisis, those living in developing countries and fragile contexts face the most dramatic risks or have least resilience.

The near-term prognosis is worrisome. Many of those people who have lost their jobs and their livelihoods in recent months will not be able to re-enter labour markets any time soon. This is particularly the case for women, who may be disproportionately amongst the first out and the last to return, due to gender discrimination and precarious working conditions,
including low wages, increased care burdens and opportunity costs of working, especially given the gender pay gap, as well as existing obstacles to the formal economy. Persons with disabilities, already facing exclusion in employment, are also more likely to experience greater difficulties returning to work during recovery.

The long-term impacts are also of concern. These challenges will have a severe impact on efforts to reduce poverty and inequality, putting SDG achievement further at risk. They also risk adding fuel to an already burning fire of discontent and anxiety in the world of work. Despite its promises, globalization – perhaps the most defining feature of the world economy over the last several decades - and has not always benefited all people and economies. In many countries, income inequality has been rising steeply since the 1980s. The global labour income share was 51.4 percent in 2017, down from 53.7 percent in 2014, while the remaining capital share increased. Before the crisis hit, 7.1% of the world’s workers were living in extreme poverty. Women were almost half as likely to be employed as men and were overrepresented in low-paid, unprotected jobs. 267 million young people were not in employment, education or training. 107 countries excluded workers from the right to establish or join a trade union.

At the same time, the current crisis shows how much economies and labour markets depend on each other. This interdependence should be redefined going forward to generate a more inclusive and sustainable world for all.

COVID-19 also accelerated certain trends, particularly digitization and the move to remote work, in some cases auguring a promising future of greater flexibility and sustainability. But fears also grew regarding the downsides of imminent effects of new technologies on the future of work, as new technological innovations underpinning the Fourth Industrial Revolution, such as network technology, Big Data, 3-D printing, artificial intelligence and robotics, transform the very nature of work and risk deepening gaps and inequalities.

In the face of all these trends, there is a risk that massive unemployment and loss of income from COVID-19 could further erode social cohesion and destabilize countries in both the North and the South, socially, politically and economically.

Policy Responses

This policy brief presents the stark consequences of COVID-19 in an already precarious world of work and provides practical options to recover better. The pandemic is causing immense pain, suffering and anxiety for people across the world. Workers and business owners face a particularly uncertain future. But with smart timely action at all levels, a focus on decent and productive employment, and the 2030 Agenda as our compass, we can emerge from this crisis stronger, together, with better jobs and a more equal and greener future. To minimize the impact of this crisis on workers and businesses, governments, partners and international organizations have taken a range of bold measures. Over 170 countries, for example, have allocated a total of $9 trillion to fiscal stimulus plans. Building on these steps and in order to accelerate the transition to a more inclusive, and sustainable and resilient world, large-scale and proactive policy actions should be pursued in the following three areas.
1. PROVIDE IMMEDIATE SUPPORT FOR AT-RISK WORKERS, ENTERPRISES, JOBS AND INCOMES

Urgent steps are required in the short-term to avoid enterprise closures, job losses and income decline and mitigate the shift in work and labour into the domestic sphere. Interventions should build on existing institutions, while steering workers and enterprises towards sustainable development for a better and stronger recovery.

2. ENSURE A COMPREHENSIVE APPROACH TO RETURNING TO WORK

Combatting the pandemic and restarting the economy are not competing priorities. On the contrary, they must go together. Returning to work does not mean giving up on protecting the health of workers or forgoing hard-won gains to supress the spread of the virus. And protecting health does not mean keeping enterprises and economic activity locked down. Policies should ensure that both happens at the same time. A holistic view will be needed as key decisions are taken. For instance, decisions on reopening schools should consider prospects on care provision that will likely hamper women’s return to work.

3. CREATING DECENT AND PRODUCTIVE JOBS FOR A GREEN, INCLUSIVE, AND RESILIENT RECOVERY

The world of work will not and should not look the same after this crisis. The fragilities and fault lines exposed by the crisis need to be tackled. What is needed is a coordinated global, regional and national effort to create decent and productive jobs for all as the foundation of a green, inclusive and resilient recovery. In doing so, demographic shifts in ageing societies as well as the transition towards climate neutral economies, which saw increased support from wide parts of societies before the crisis began, need to be considered. Decisions taken now will have dramatic implications for current and future generations.
The world of work before COVID-19 was riddled with inequalities and problems. Only 57 percent of people of working age (3.3 billion people, 1.3 billion women and 2.0 billion men) were employed. 188 million were unemployed. The majority of those with a job worked in the informal economy, most without rights at work, without social protection and earning low wages that trapped them in poverty. For instance, more than 85 percent of African workers were informally employed and informality was also the reality for the majority of people in Asia, Latin America and the Middle East. Informal employment was particularly high among women (62 percent), and dominant in agriculture and services. Skills mismatches

1. Global Context: The world of work before COVID-19

The world of work before COVID-19 was riddled with inequalities and problems. Only 57 percent of people of working age (3.3 billion people, 1.3 billion women and 2.0 billion men) were employed. 188 million were unemployed. The majority of those with a job worked in the informal economy, most without rights at work, without social protection and earning low wages that trapped them in poverty. For instance, more than 85 percent of African workers were informally employed and informality was also the reality for the majority of people in Asia, Latin America and the Middle East. Informal employment was particularly high among women (62 percent), and dominant in agriculture and services. Skills mismatches

FIGURE 1: GLOBAL LABOUR MARKET INDICATORS BEFORE COVID-19

<table>
<thead>
<tr>
<th>Total labour underutilization: 473 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employed: 3.3 billion (57%)</td>
</tr>
<tr>
<td>Out of labour force: 2.3 billion (39%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Working-age population: 5.7 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 billion informal (35%)</td>
</tr>
<tr>
<td>1.3 billion formal (22%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Youth working-age population (15-24 years): 1.2 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Youth in employment: 429 million (36%)</td>
</tr>
<tr>
<td>Youth in education or training (not employed): 509 million (42%)</td>
</tr>
<tr>
<td>Youth not in employment, education or training: 267 million (22%)</td>
</tr>
</tbody>
</table>

Note: Persons in time-related underemployment are employed persons whose working time is insufficient in relation to a more desirable employment situation in which they are willing and available to engage. The potential labour force consists of people who were actively seeking employment, were not available to start work in the reference week, but would become available within a short subsequent period (unavailable jobseekers), or who were not actively seeking employment but wanted to work and were available in the reference week (available potential jobseekers). Young people in employment may simultaneously be in education or training.

were a common challenge all over the world. Involuntary temporary and part-time work, as well as new forms of work, were on the rise, leading to a feeling of increased insecurity amongst workers and enterprises, especially micro, small and medium sized enterprises (MSMEs).

Some groups of the population were particularly disadvantaged and the next chapter elaborates on how those groups have been further affected by COVID-19.

For example, youth unemployment rates were about 3 times as high as those of adults before the crisis hit. More than three out of four of the world’s young workers had informal jobs prior to the onset of the crisis compared with 60 per cent of adults aged 25 and above. And around one-fifth of young people worldwide, or 267 million young people, were not in employment, education or training (NEET). This figure reached almost 40% for young women in lower-middle income countries.

Persons with disabilities faced significant exclusions in all areas of the world of work before the crisis: the employment-to-population ratio of persons with disabilities aged 15 and older was almost half that of persons without disabilities. Employed persons with disabilities tended to earn lower wages than their counterparts without disabilities. Lack of accessible workplaces and reasonable accommodation posed further obstacles in the employment of persons with disabilities. In most countries social protection systems offer little support to persons with disabilities and their families – only 28% of persons with significant disabilities have access to disability benefits globally, and only 1% in low-income countries.
2. The impact of COVID-19 on the world of work

Policymakers responded decisively to COVID-19 with necessary measures to slow the spread of the virus and to save and protect lives. Lockdowns and other restrictive measures to contain the pandemic have had a devastating impact on already weak labour markets, as well as production and consumption.

Altogether 94 percent of the world’s workers are living in countries with some type of workplace closure measures in place (figure 2).

Trade, foreign direct investment, and global supply chains are being interrupted with dire effects for production processes and associated

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**FIGURE 2: EMPLOYMENT IN COUNTRIES WITH WORKPLACE CLOSURES**

- Share of the world’s employed living in countries with required workplace closures for all but essential workplaces
- Share of the world’s employed living in countries with recommended workplace closures
- Share of the world’s employed living in countries with required workplace closures for some sectors or categories of workers

The shares of employed in countries with required workplace closures for some sectors or categories of workers and recommended workplace closures are stacked with that of those in countries with required workplace closures for all but essential workplaces.

jobs. Where social protection systems were weak or absent, millions of people have been left without an income. Unemployment is already skyrocketing in many countries and hours worked in all countries and regions are estimated by the ILO to have fallen dramatically by 10.7 percent in the second quarter of 2020 relative to the last quarter of 2019, which is equivalent to 305 million full-time jobs (assuming a 48-hour working week). Revised estimates from the World Bank suggest that the number of people living in poverty could increase by 70-100 million, which would be the first increase in poverty since 1998, from 632 million people in 2019. The number of those remaining poor even though they work is estimated to increase by up to 35 million.

The pandemic has exposed inequalities and social fissures in societies that are hitting hard the most vulnerable and marginalized groups. As a result, multidimensional poverty and inequality are likely to increase significantly. The number of people living in poverty could increase by 70-100 million, which would be the first increase in poverty since 1998, from 632 million people in 2019. The number of those remaining poor even though they work is estimated to increase by up to 35 million.

Sectoral risks

Globally, around 38 percent of the workforce – some 1.25 billion workers - is employed in high-risk sectors (table 2). These sectors are

![Figure 3: Drop in working hours in the first and second quarters of 2020 is severe](source: International Labour Organization (ILO) COVID-19 Monitor, 4th Edition, 27 May 2020)
## TABLE 1: WORKERS AT RISK: SECTORAL PERSPECTIVE

<table>
<thead>
<tr>
<th>Economic sector</th>
<th>Current impact of crisis on economic output</th>
<th>Baseline employment situation (global estimates for 2020 prior to COVID-19)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Level of employment (000s)</td>
</tr>
<tr>
<td>Education</td>
<td>Low</td>
<td>176560</td>
</tr>
<tr>
<td>Human health and social work activities</td>
<td>Low</td>
<td>136244</td>
</tr>
<tr>
<td>Public administration and defence; compulsory social security</td>
<td>Low</td>
<td>144241</td>
</tr>
<tr>
<td>Utilities</td>
<td>Low</td>
<td>26589</td>
</tr>
<tr>
<td>Agriculture; forestry and fishing</td>
<td>Low-Medium*</td>
<td>880373</td>
</tr>
<tr>
<td>Construction</td>
<td>Medium</td>
<td>257041</td>
</tr>
<tr>
<td>Financial and insurance activities</td>
<td>Medium</td>
<td>52237</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>Medium</td>
<td>21714</td>
</tr>
<tr>
<td>Arts, entertainment and recreation, and other services</td>
<td>Medium-high*</td>
<td>179857</td>
</tr>
<tr>
<td>Transport; storage and communication</td>
<td>Medium-high*</td>
<td>204217</td>
</tr>
<tr>
<td>Accommodation and food service</td>
<td>High</td>
<td>143661</td>
</tr>
<tr>
<td>Real estate; business and administrative activities</td>
<td>High</td>
<td>156878</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>High</td>
<td>463091</td>
</tr>
<tr>
<td>Wholesale and retail trade; repair of motor vehicles and motorcycles</td>
<td>High</td>
<td>481951</td>
</tr>
</tbody>
</table>

Source: International Labour Organization (ILO) Monitor: COVID-19 and the world of work, 3rd Edition, 29 April 2020. * - denotes sectors that include sub-sectors that have been affected in different ways. For example, parts of manufacturing have been hit hard (e.g. automobile industry in Europe), while other segments less so.
labour intensive and employ millions of often low-paid, low-skilled workers. Workers in the four sectors that have experienced the most “drastic” labour market effects of the disease and falling production are: food and accommodation (144 million workers), retail and wholesale (482 million); business services and administration (157 million); and manufacturing (463 million).

Tourism-related activities make a large contribution to GDP and employment in many regions. Directly or indirectly, tourism activities provide about 10 percent of all employment. Since the onset of the COVID-19 crisis, international tourism has practically stopped. The majority of the workforce is employed in MSMEs, which have been disproportionately

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**Figure 4: Gender differences regarding the impact of the crisis in the informal economy**

<table>
<thead>
<tr>
<th>World</th>
<th>High risk sectors</th>
<th>Medium-high risk sectors</th>
<th>Medium risk sectors</th>
<th>Low-medium risk sectors</th>
<th>Low risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significantly impacted</td>
<td>Men</td>
<td>32</td>
<td>12</td>
<td>16</td>
<td>39</td>
</tr>
<tr>
<td></td>
<td>Women</td>
<td>42</td>
<td>11</td>
<td>2</td>
<td>40</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>High income countries</th>
<th>High risk sectors</th>
<th>Medium-high risk sectors</th>
<th>Medium risk sectors</th>
<th>Low-medium risk sectors</th>
<th>Low risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significantly impacted</td>
<td>Men</td>
<td>47</td>
<td>17</td>
<td>23</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Women</td>
<td>51</td>
<td>18</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Upper middle income countries</th>
<th>High risk sectors</th>
<th>Medium-high risk sectors</th>
<th>Medium risk sectors</th>
<th>Low-medium risk sectors</th>
<th>Low risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significantly impacted</td>
<td>Men</td>
<td>39</td>
<td>13</td>
<td>17</td>
<td>29</td>
</tr>
<tr>
<td></td>
<td>Women</td>
<td>56</td>
<td>14</td>
<td>2</td>
<td>25</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Lower middle income countries</th>
<th>High risk sectors</th>
<th>Medium-high risk sectors</th>
<th>Medium risk sectors</th>
<th>Low-medium risk sectors</th>
<th>Low risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significantly impacted</td>
<td>Men</td>
<td>31</td>
<td>12</td>
<td>15</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td>Women</td>
<td>37</td>
<td>9</td>
<td>3</td>
<td>49</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Low income countries</th>
<th>High risk sectors</th>
<th>Medium-high risk sectors</th>
<th>Medium risk sectors</th>
<th>Low-medium risk sectors</th>
<th>Low risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significantly impacted</td>
<td>Men</td>
<td>17</td>
<td>7</td>
<td>8</td>
<td>67</td>
</tr>
<tr>
<td></td>
<td>Women</td>
<td>28</td>
<td>10</td>
<td>2</td>
<td>60</td>
</tr>
</tbody>
</table>

affected. Across the world, women make up most workers in the tourism industry, especially in the low-wage part of this sector.

Table 1 and figure 4 only classify sectors by the current risk (meaning the early phases of this crisis). However, over time some of the sectors will see an increased risk. Agriculture for example provides livelihoods to more than one billion people worldwide and remains the backbone of many low-income countries, accounting for 60.4 percent of employment and contributing up to two-thirds of gross domestic product in some countries. This sector risks losing jobs and livelihoods due to longer-term disruptions in trade and supply chains with devastating impact on already high poverty rates in rural areas.

In terms of occupational health risks, the hardest-hit workers are all those who are involved in essential production and services sectors that continue to work, often without the necessary social distancing, protective equipment and other OSH related measures. These frontline workers deserve special attention from governments to ensure maximum protection.

Informal economy workers hit hardest

Informal economy workers are particularly vulnerable to lockdown measures. Their earnings in the first month of the crisis are estimated to have declined by 60 percent globally (around 80 percent in Africa and Latin America). The rate of relative poverty, which is defined as the proportion of workers with monthly earnings that fall below 50 percent of the median earnings in the population, is expected to increase by almost 34 percentage points globally for informal workers. These massive income impacts among informal workers should be seen along with their greater exposure to health and safety risks as their work involves strong interaction with co-workers or customers, while lacking adequate protection, such as masks or hand disinfectants.

Moreover, in many developing countries, MSMEs also operate predominantly in the informal sector. Given the difficulties of their formalization through business registration in the best of times, many MSMEs will not be able to access assistance packages during the crisis.

Care work

Workers in care sectors, between 60 and 70 percent of which are women, are a particularly vulnerable group of workers, with low wages, often informally employed and with little recognition. Many of them have had work cease or were particularly vulnerable to health risks (e.g., care workers for older people as keeping a physical distance is not possible).

Unpaid care work, where women performed more than three times as much as men before the crisis, has increased during the pandemic lockdowns, further constraining women’s access to employment and impacting physical and mental health stressors. In addition, female care workers who try to combine the additional duties at home with the request for long shifts at work have to carry a disproportional part of the societal burden of this crisis.

Enterprises at risk

The effect of the crisis on micro, small and medium enterprises is especially severe because of higher levels of vulnerability and lower resilience related to their size. Over 50 percent of small and medium enterprises in OECD countries could fail over the next few months. A
widespread collapse of MSMEs that are the economic backbones and main job providers in many countries will have a strong impact on national economies and global growth prospects, on perceptions and expectations, and even on the financial sector, which may already be under strain as a result of non-performing portfolios. In some countries, a deterioration of the financial situation of MSMEs could have systemic effects on the banking sector as a whole.25

Approximately 47 million employers, some 54 percent of all employers worldwide, operate businesses in the hardest-hit sectors of manufacturing, accommodation and food services, wholesale and retail trade and real estate and business activities26 which account for more than 30 percent of GDP on average.27 An additional 389 million own-account workers are engaged in these four sectors. Taking together employers and own-account workers, some 436 million enterprises worldwide are operating and working in the hardest-hit sectors28.

While small economic units around the globe play a major role as providers of jobs, particularly in low and middle-income countries,29 and particularly for women,30 they often lack access to credit, have few assets and are the least likely to benefit from fiscal measures in general and the current crisis related stimulus packages.

Hardest-hit groups

In addition to the impacts associated with unpaid care work outlined above, women are overrepresented in the service sectors hit by the pandemic, such as retail, accommodation and food services, and domestic work. On the whole, almost half of all pre-crisis women workers are at high risk of being hit by the crisis. This disadvantage is unique to the COVID-19 crisis and attributable to the concentration of women in service provision sectors, which are hardest-hit by lockdown measures. This is particularly the case in Northern America and in Europe, where more women than men are employed in at-risk sectors. Emergency and recovery measures should take these figures into account.

Young people are affected disproportionally during any crisis and even more so during the current crisis. Before the onset of the COVID-19 pandemic, 178 million youth around the world, or more than 4 out of every 10 young persons employed globally, were working in wholesale and retail trade, manufacturing, accommodation and food services and other services, including real estate, which have been hit hard by the crisis. Education and training of youth has been severely disrupted31. The latest labour force data reveals that unemployment for young people, particularly young women, has increased more and at a faster pace than for prime-age adults. Due to these effects, the risk of a "lock-down generation" is high. Some economic policy responses – such as fiscal and monetary policies, bailouts and tax relief, mortgage freezes, waivers of interests on student and business loans – are not designed to address the particular needs of young people.

The virus is not just threatening the lives and safety of older persons, but it is also threatening their social networks, their access to health services, their pensions and their jobs.32 The income and employment impacts will be large given that, at a global level, the share of older persons in the labour force has increased by almost 10 percentage points in the past three decades.33 This increase was often the result of economic necessity, particularly since less than 20 percent of older persons of retirement age receive a pension in many developing countries, so losing this option will lead to increases in old-age poverty34.
Refugees and migrant workers have been particularly affected by the economic consequences of the virus. They tend to be concentrated in sectors with high levels of temporary, informal or unprotected work characterised by low wages and lack of social protection, including in care work. For many migrants, losing their jobs not only has direct implications for their own income situation but will also lead to declines in remittances. Getting their jobs back will be further hindered through the loss of visas, work or residence permits and renewals. Refugees, meanwhile, often struggle with legal access to labour markets, inclusion in national social protection responses, access to financial service and credits, and freedom of movement. For many refugees, loss of income has led to an inability to meet basic needs.

There are over 67 million domestic workers worldwide, 75 percent of whom are working informally, 80 percent are migrants and the vast majority are women. These workers play a key role in ensuring the health and safety of the families and households for which they work, from cleaning ad cooking, to caring for children, the ill and the elderly. Their physical proximity to the families in their care put them at an elevated risk of exposure to COVID-19. This risk is compounded when they care for the ill, have long commutes on public transportation, or work for multiple households. If they become ill, many domestic workers do not have access to health care, sickness benefits or employment injury benefits.

Labour market vulnerabilities are worsening for many other groups, including persons with disabilities, indigenous peoples and members of disadvantaged ethnic groups, refugees, internally displaced people, smallholder farmers and others. New business models, such as the platform and gig economy with non-standard employment relationships or alternative work arrangements, also tend to be characterized by reduced benefits and protection for workers. The massive number of low-skilled-low-wage workers also carry a higher risk of being hit by the crisis. Data is scarce but reports from different sources, and evidence and experience from past crises leave no doubt that the impact on all of them will be devastating.

**Risks ahead**

The economic shock of this crisis, with impacts on both the supply and demand sides of economies, is not just a question of a short-term disruption of growth patterns but rather risks becoming an unprecedented global economic contraction, with devastating impacts on employment.

The translation from the short-term impact towards a long-term economic recession is the result of a vicious spiral (figure 5) that kicks in when measures taken to retain jobs are not quick and big enough, with consequently high un- and under-employment. As a result, economies will be faced with reductions in consumption (through lower labour income) and production. Extended unemployment will also have a long-lasting impact on labour supply through losses in workers’ capabilities.

All this will further suppress aggregate demand and supply, with a severe negative impact on poverty and inequality and possible consequences for social cohesion (evident in some cases where debates about recovery have become divisive). We have seen in many developing countries that poverty and environmental degradation come together.
FIGURE 5: ECONOMIC CHANNELLING MECHANISMS - THE NEGATIVE EMPLOYMENT SPIRAL

- Lockdowns
  - Immediate production and job losses
  - Decreasing supply
  - Decreasing investment and more losses of jobs and workers' capabilities
  - Deteriorating of social cohesion
  - With environmental degradation
  - Decreasing demand
  - Decreasing supply
  - Decreasing demand
  - Decreasing investment and more losses of jobs and workers' capabilities
  - Deteriorating of social cohesion
  - Increasing poverty and inequalities

Prolonged recession with devastating impacts on economy, jobs and society
3. Policy recommendations

To soften the impact of the deepest global recession since the Second World War, governments and other key stakeholders, including the private sector, need to take coordinated, timely and sustained large-scale action.

Interventions will differ depending on the stage of the recovery process, but through all phases, the key question for decision-makers will be how to use their scarce resources to enhance income security; create and retain decent jobs; strengthen the social and ecological fabric of our economies and transition towards a “better normal” – one that is human-centred, inclusive and accessible, gender-responsive, and sustainable.

Many countries have already taken strong actions that serve as a good basis (see Box 1). Building on these actions, governments and other stakeholders need to centre their responses around three key priorities and a range of associated actions, as outlined below.

Critical to each of these recommendations is adequate fiscal space. The Secretary-General has called for rescue packages equivalent to more than 10 percent of global gross domestic product. This will necessitate that budget revenues, expenditures and financing are re-examined, as well as contingent liabilities. No option should be excluded: reducing military spending, stepping up anti-corruption, tax reforms, solidarity funds, etc. In terms of supporting developing countries, greater international cooperation is urgently needed, including by providing liquidity and financial assistance; and by relieving or postponing payment of foreign debt.

**BOX 1: COUNTRY RESPONSES**

Countries all over the world have reacted to the current crisis, often with unprecedentedly large interventions. Over 170 countries have allocated a total of $9 trillion in fiscal stimulus plans. Some innovative examples include:

**Pakistan’s** economic relief package includes measures to bring poorest workers back to work through building natural infrastructure (“The 10 Billion Trees project”). The programme created 63,600 jobs with a focus on women and young people, many of whom had migrated home to rural areas from locked-down cities.

**Malaysia’s** employment insurance provides a wage subsidy programme to assist employers in retaining their workers for up to three months. Enterprises receiving support will be required to retain their employees for at least six months after the three months of support, and will have to provide training, including on digital skills.
Italy extended income support (80 percent of the gross salary) to workers in enterprises with financial difficulties, to all economic sectors and to enterprises with less than 15 employees, which are normally not eligible for such support. Lump-sum income compensation is also provided to the self-employed and external contractors.

Spain is providing income support for the self-employed, members of cooperatives and workers whose employment has been temporarily suspended, even if they would not have normally received unemployment benefits.

Ethiopia has prohibited laying off workers and terminating employment.

Madagascar deferred payment of contributions to the social security fund for all companies without incurring any penalties for late payment.

Rwanda amended the scheme of the Community Based Health Insurance (“Mutuelle”) to ease access to health services and remove the waiting period between inscription and accessing medical services.

Brazil used a mobile app to identify informal workers who are not in any government register but are entitled to assistance due to the COVID-19 crisis.

Burkina Faso introduced cash transfers to informal sector workers to help informal fruit and vegetable retailers affected by the situation, particularly women.

Cabo Verde provided a one-off $100 payment to 30,000 informal workers.

Namibia provided a one-off emergency income grant to formal and informal workers who lost their jobs, in addition to wage subsidies and various worker loan schemes.

In the Philippines informal workers who have temporarily lost their livelihood can benefit from temporary employment programmes involving disinfection/sanitation of their houses and immediate vicinity; beneficiaries will receive training on safety and health, with minimum wage and group micro-insurance.

Chile’s Central Bank has intervened to reduce policy rates, announced a bond purchase programme, and coordinated financial sector measures to accommodate regulatory credit requirements to increase credit to enterprises and consumers.

Colombia introduced new credit lines supporting different sector activities and payroll and loan payments for SMEs and announced payroll subsidy equivalent to 40 percent of the minimum wage per worker for businesses with reduced revenues.

South Africa set up a tripartite ‘Coronavirus Response Task Team’ to address: workplace adaptation measures, a workers’ compensation fund for special/sick leave and an unemployment insurance fund, support for companies in distress, avoidance of stigmatization or discrimination against possible carriers/sufferers of COVID-19; macroeconomic impacts and appropriate policy responses; food security (including school meals).

Germany has been able to safeguard a significant number of jobs by expanding access to its well-tested and institutionalized short-term work (Kurzarbeit) programme, which covers workers’ wages in companies under distress. Effective existing institution and mechanisms facelifted a smooth and quick implementation.

Iceland is asking line ministries to describe how potential investments might benefit women and men differently. This allows the Government to take this information into account in the decision-making process and better-understand the collective impact of the overall package on gender equality objectives.
debt. Even if large deficits bring risks for the future, fiscal costs will become more manageable once immediate rescue measures lead to a reversal of the spiral described above.

A. PRIORITIZING IMMEDIATE SUPPORT FOR AT-RISK WORKERS, ENTERPRISES, JOBS AND INCOMES

As outlined above, many countries have reacted promptly and with unprecedented scope and scale to COVID-19, with investments in the health system, cash transfers or unemployment benefits, and temporary support to firms. Such urgent responses are needed to avoid enterprise closures, job losses and income declines that would turn the current crisis into a long-lasting depression. Interventions should build on and strengthen existing institutions, while steering workers and enterprises towards sustainable development for a better and stronger recovery.

Policy actions would address the following:

- **Extension of social protection coverage and outreach.** Besides the immediate and direct impact for groups at risk and those workers who have already lost their incomes, well-designed social protection measures can also contribute to a gradual transition from the informal to the formal economy. They also contribute to building trust between the affected workers and institutions and increase the productive potential of workers. Increasing social protection can also mitigate the structural inequalities for women in the system, alleviating care responsibilities and providing protections for those in the informal sector or with less secure employment.

- **Employment retention measures.** Wage subsidies are the most widely used means for this purpose. Where possible, retention measures should be delivered in an integrated manner with active labour market policies that are triggered as quickly as possible, even when partial lockdowns are still in place. Measures should focus on avoiding and reducing vulnerability, especially for women, persons with disabilities,
young people, migrant workers and other groups that find it particularly hard to re-enter labour markets once they are forced to exit. Policies should look specifically at the needs of families with regard to child care.

- **Sustaining business (especially MSMEs’) operations.** Concrete actions should support the implementation of health measures; ensure liquidity; cover basic fixed costs; provide credit; avoid lay-offs; and incentivize innovative changes, for example, regarding workplace adjustments and alternative work modalities, teleworking arrangements, etc.

- **Avoiding increasing vulnerabilities through gender-responsive, inclusive, accessible and targeted measures, based on social dialogue.** Measures should be designed in a targeted manner. Formal and informal barriers that prevent vulnerable groups, including refugees and migrant workers, and especially women within these groups, from retaining or accessing jobs should be overcome. Dialogue between Governments, workers’ and employers’ organizations, and representative organizations of marginalized groups (for example, organizations of persons with disabilities) will help to identify the challenges and find agreeable solutions. Measures to alleviate care work should be put in place, including the expansion of the statutory length of paid sick leave, parental leave, as well as income support to enable people to self-isolate, care for sick family members, or care for children in lockdown.

- **Immediately rewarding essential workers who hold the system together.** Economies and societies would collapse immediately if it was not for the essential work of care workers, environmental services workers and others. In the short run, rewarding them with bonus payments or compensatory time might partially help to avoid exploitation and lead to some motivation of such workers that often have to go beyond their physical and mental limits during these difficult times. This is not to replace long-term measures that need to be put in place to give these workers the necessary recognition beyond the current crisis. This should include relooking at structural inequalities in economic models that distort value.
B. ENSURING A COMPREHENSIVE APPROACH TO RETURNING TO WORK

The false dichotomy between returning to work and protecting health needs to be dispelled. As lockdown and other restrictive measures are relaxed, strong measures at national and sub-national level will be needed, based on social dialogue, to help enterprises to open again and workers to return to work as safely and quickly as possible. Failure to take adequate precautions risks a resurgence of the virus that will only prolong the crisis. In addition, measures need to be put in place to support workers, and particularly women, to deal with their care responsibilities. Discretionary fiscal stimulus measures should not be withdrawn before a broad-based recovery in economic and employment growth. Experience from previous crises shows that swinging the spending pendulum towards fiscal tightening too soon will undermine recovery.

Policy actions would address the following:

- **Safe and accessible workplaces.** To make workplaces safe, similar measures may be necessary as those taken for essential workers during the acute health crisis phase. Measures relating to occupational safety and health (OSH), social protection coverage, anti-discrimination and others may also be needed. Different arrangements may be required for persons with disabilities, such as priority to work from home or placed in paid leave.

- **Respect for the needs and rights of workers and employers.** The implementation of flexible schemes to promote job retention and job sharing until the recovery is secured can be one option to address the needs of workers and employers alike. Through strong social dialogue workers and employers will manage to identify their needs, in particular those of women and persons with disabilities, and defend their rights.

- **Taking a holistic approach and sequencing with childcare and schools.** The reopening of businesses and the formal economy, but ongoing closure of care facilities and schools, risks setting women back a generation of progress on labour force participation. All return to work policies should consider sequencing with schools reopening and adopting measures to mitigate impacts, including providing for care support.

- **Effective testing and tracing (T&T).** Testing and tracing is strongly associated with lower labour market disruptions. ILO estimates suggest that testing and tracing can help to reduce working hour losses by as much as 50 percent, as it may help countries rely less on drastic measures, improve public confidence in economic activities and support workplace operations.

- **Well-designed active labour market policies (ALMPs), including public employment programmes (PEPs).** Well designed and implemented ALMPs, including public employment programmes, in line with broader and more comprehensive national employment policies, will be the most important instruments to get those people who have lost their jobs back to work, create new jobs and help to match well-trained workers with enterprises.

- **Capability-building measures for those facing uncertain transitions.** With the expected changes in the world of work as a result of the crisis and also as a result of the mega-drivers in the world of work, some people will have to transition to new sectors and occupations as well as new forms of
work. While the recovery process is taking shape, they should have the opportunity to be (re-)trained, build digital skills and capabilities that help them to cope with the transition.

- **Flexibility in continuing alternative work modalities for populations-at-risk.** The elderly and those with existing health conditions, persons with disabilities, as well as employees who have continued caregiving responsibilities brought about by the pandemic or were already pre-existing should be given the possibility to participate in labour markets despite their inability to physically go to their workplace.

- **Look beyond the short-term impact.** From the very beginning, all of the measures taken should be implemented in a manner to pave the way to decent job creation, climate-resilient recovery and more inclusive and gender-responsive labour markets to ensure sustainable development and resilient societies. The ILO provides guidance in this regard.

### C. CREATING DECENT AND PRODUCTIVE JOBS FOR A GREEN, INCLUSIVE, AND RESILIENT RECOVERY

The world of work will not and should not look the same after this crisis. Some changes are already visible: We see a much-strengthened focus on making workplaces safer, beyond COVID-related health issues. We see a heightened recognition of the work of health and care workers and other frontline professions. We see much greater recognition of the need for adequate social protection, including social health protection, sickness benefits and unemployment protection. We see technology opening up working modalities that seemed impossible before, allowing for greater flexibility and perhaps also sustainability. We also see a strong debate in countries on how to best use the crisis to introduce the needed steps for sustainable structural transformation policies, including to rapidly reduce greenhouse gas emissions; reduce inequalities and address invisible and unpaid care work. Together with the increased public environmental awareness that was so strong when the crisis hit, this is a good start, but more needs to be done.

The decisions taken now around the recovery will have dramatic implications for current and future generations. What is needed is recognition that creating decent and productive jobs for all in a green, inclusive and resilient economy is the smartest path to recovery and to delivering on the goals of the 2030 Agenda and the Paris Agreement on Climate Change. We cannot afford to miss this opportunity.

In this regard, policy actions would address the following:

- **Social Protection:** Expenditure on social protection need to be seen as an investment in people, not a burden or charity, and should therefore be anchored in domestic resources. Stop-gap measures should be transformed into sustainable social protection mechanisms for all, based on a fair sharing of the cost between employers, workers and governments.

- **Accelerating the transition to formality.** The COVID-19 crisis serves as a reminder of the crucial need to make the transition from the informal to the formal economy a priority area in national policies. Economic recovery, while necessary, will not by itself reduce informality; suitable public policies are also essential. ILO provides guidance in that regard.
• **Job creation through greening economies and investments in nature.** With the right policies in place to promote greener economies, millions of new jobs can be created globally by 2030. In one estimate, renewable energy projects create twice as many jobs as fossil fuel investments. These new jobs can be created by adopting sustainable practices in the energy sector, including changes in the energy mix, promoting the use of electric vehicles and improving the energy efficiency of buildings. Investing in a balance of diverse forms of sustainable infrastructure and low-emission building materials will also support employment creation and income generation. Jobs, sustainable food, water supplies and livelihoods of the poor overwhelmingly depend on the productive capacity of nature, therefore the greening of economies should include investments in nature-based solutions, including farm and non-farm job creation. We also need a shift of taxation from payroll to carbon.

• **Investment in the care economy.** Well-resourced and well-functioning health and care systems not only save lives and make economies more resilient for future health crises but they also bring important economic benefits. A ‘high road’ to care work would result in 269 million additional jobs compared with the number of jobs in 2015. This implies public and private expenditure on health and education of US$18.4 trillion. Occupational risk management needs to become part of health and care systems. Policies would ensure that care jobs in health, including domestic workers and personal care workers, and in education, including early childhood education, are better paid and provide decent working conditions, as this is a prerequisite for good quality care provision. This also includes the right to collective bargaining and freedom of association since these are enabling rights for the realization of better wages and working conditions. Regarding unpaid care, work policies should be put in place to recognize, reduce and redistribute unpaid care work. This includes the promotion of active labour market policies that support the attachment, reintegration and progress of unpaid carers into the labour force. Recognition of unpaid care work in the formal economy is also crucial. This would place value on the hours spent in this sphere and inform policies that can better redistribute and reduce this work, allowing for greater equality as well as increased formal labour market participation and income generation.

• **Prioritizing skills and jobs for young people:** To avoid a lock-down generation and long-term negative impact in terms of career development, employment, labour market and entrepreneurship policies should explicitly target youth. This includes a focus on those experiencing a disruption to their education and training, along with those in work-based learning (e.g. apprentices), new labour market entrants, the unemployed and those who are in the informal economy and are underemployed. Specific measures include active labour market policies aligned to sectoral priorities in the post-COVID economy, ensuring access to education and training for those who are currently excluded, support for those who continue or return to education, training and work-based learning, and promoting youth entrepreneurship. Involving young people in the formulation of employment and labour market policies will ensure better outcomes for youth.

• **Private sector policies with a specific focus on MSMEs and public-private partnerships.** Building a sustainable business environment and supporting MSMEs will be key to the recovery process. Targeted
support for MSMEs should focus on social and environmental sustainability. Strong supply chain connections allow SMEs and their supply chain partners to support each other. Building alliances among large and small businesses will also be key. The current crisis can also be an opportunity to build innovative business models – such as social enterprise, inclusive business and impact investing. Making MSMEs energy and resource-efficient will increase their competitiveness and profitability. Bringing in the creative and financial resources of the private sector at early stages will contribute to easing the recovery process. For example, public-private partnerships could start right

### BOX 2: PRIVATE SECTOR INITIATIVES

Companies globally are taking measures to limit adverse effects of the COVID-19 crisis trying to ensure that financial impacts will not be made at the expense of workers’ rights and welfare in their operations and in their global supply chains.

1. **A Special Appeal from the United Nations Global Compact** to encourage business leaders everywhere to use the Ten Principles as their guide in responding to the crisis.

2. **Call to Action in the Garment Industry:** Collaboration between stakeholders in the global garment industry to support manufacturers to survive the economic disruption caused by the COVID-19 pandemic and to protect garment workers’ income, health and employment (see list of endorsing organizations).


4. Employers and workers in specific social and economic sectors have developed **joint statements and calls for action** to protect workers and support enterprises.

5. The International Chamber of Commerce (ICC) has launched a **Call to Action to Save Our SMEs “SOS” campaign** to shine a spotlight on the devastating impact of COVID-19 on SMEs and their employees, ensure effective policy and fiscal responses at both the international and national levels and provide resources and tools to SMEs to help them navigate this economic shock.

6. Amfori published guidelines for their members on **responsible purchasing practices** during COVID-19.

7. **ICTI Ethical Toy Program** published a responsible purchasing practice guidance to support buyers during COVID-19. The guidance offers best-practice recommendations for purchasing practices to help buyers manage risks, protect business continuity and safeguard workers.

8. The Responsible Business Alliance created a **resource hub** to provide timely information for its members on coronavirus-related supply chain issues, including related to responsible business conduct in company supply chains during the outbreak to protect the rights and well-being of workers.

9. The International Organization of Employers (IOE) is mobilising its network to provide **information on business and employer organisations’ efforts** to support members with safety and health measures, preventive actions to minimise disruption to productivity, strategies for mitigation of financial losses, and overview of government initiatives to reduce economic stress on business, and **IOE Guidance for business on surviving Covid-19 and coming out strong**.

10. The World Economic Forum (WEF) launched the **workforce principles** as a guiding tool for Chief Human Resources Officers (CHROs) and other business leaders.
away to provide (i) affordable internet access to all; (ii) affordable, effective and efficient “digital wallets” and payment options for all.

- **Leveraging new technologies**: Structural transformation will require the use of new technologies and careful consideration regarding the future of work. When investing in technology, it is important to keep in mind that these technologies should be the basis for creating the human-centred future that we want. Closing the digital divide needs to be part of such action, accompanied by investment in digital skills and preparedness for digital changes. With change also comes the responsibility to regulate so that workers are protected from any negative side effects. For the good management of remote work, for example, the right to disconnect, the right to a good and safe working environment, and the protection of workers’ data, should be properly addressed.

- **Sectoral policies for hard-hit sectors and structural transformation**. ILO’s analysis of the impact of the pandemic in ten sectors\(^\text{54}\) highlights how targeted support for sector-specific strategies and sustainable industrial policies should go hand in hand and be stepped up, in consultation with employers’ and workers’ organizations.\(^\text{55}\) Sectoral policies can support the expansion of women’s employment in high productivity sectors, contributing to breaking up gender segregation. From the perspective of structural transformation, agriculture is one of the sectors to focus on: Ensuring the continued functioning of global and national food supply chains will be crucial in securing food supply and preventing a food crisis. Given that agricultural workers experience the highest incidence of working poverty -creating decent income opportunities while adhering to safety and health measures will be key in fighting global poverty.\(^\text{56}\)

- **Targeted policies for hard-hit groups**. Many of the policy measures already taken do not reach the most vulnerable groups adequately\(^\text{57}\) and targeted employment policies are needed. Public works programmes and employment guarantee schemes shown to be effective means to reach out to vulnerable workers, including those in the informal economy. Also, local, community-based initiatives can work quickly and cater to specific needs. Ensuring that robust minimum wage floors are in place can help the hardest-hit groups and prevent wage deflation.

**Action at the global level**

Besides interventions at the macro level, it is important for the multilateral system to help countries through policy advice, ensuring policy coherence and setting international parameters for an employment-led recovery process. Keeping markets and borders open needs to be fostered at the global level. In this regard, there is a need for coordination in the area of trade and investment policies at regional levels and in identifying the ways to make bilateral and regional trade and investment agreements more inclusive and employment friendly. Coordinated action is also needed to address fiscal inconsistencies that undermine national budgets, such as transfer pricing, tax heavens, fossil fuel subsidization and tax avoidance, and to forge a strategy for a fair and sustainable governance of the digital economy. When countries that are in a situation of conflict or extreme fragility for other reasons do not have the means for policy interventions, international solidarity is needed to help those most in need beyond humanitarian aid. United Nations Country Teams are already providing support through joint data, analysis and policy/programme design.
Conclusion

Building the future we want through the creation of decent employment opportunities will only happen with the right policies in place. These policies should build on existing normative frameworks. In that sense, policies are best guided by the 2030 Agenda on Sustainable Development, the Paris Agreement on Climate Change and the ILO Centenary Declaration for the Future of Work. A wide range of International Labour Standards on employment, occupational safety and health, social protection, wage protection, MSME promotion or workplace cooperation contain specific guidance on policy measures that would encourage a human-centred approach to the crisis and its recovery.

In addition, policies need to be informed by reliable and relevant analysis and evidence. For this evidence-based approach, it is critical for countries to strengthen the collection and the quality of data.

Social dialogue has proven to be an effective means for identifying specific local conditions and needs and is also a source of innovative and creative solutions. Within a whole-of-society approach, all stakeholders should participate in setting the commonly agreed parameters for a sustainable recovery.

A reset to the past is not an option. The level of change and transformation required to rebuild the global economy goes beyond building back better. The need to create jobs and livelihoods for millions requires balancing the socioeconomic system with the ecosystem, investing in skills, infrastructure and technology and promoting - through fiscal stimulus and beyond - a shift towards a more human-centred and inclusive digitalisation, more investment in the care economy and a greener and gender-equal economy for all.
Notes

4 ILOSTAT, https://ilostat.ilo.org/
5 ILOSTAT, https://ilostat.ilo.org/
8 This brief is part of a series that covers a range of issues of global relevance in the context of COVID-19. This includes thematic briefs and regional briefs where complementary data and analysis can be found. See https://www.un.org/en/coronavirus/un-secretary-general
10 ILOSTAT, https://ilostat.ilo.org/


20 ILOSTAT, [https://ilostat.ilo.org/](https://ilostat.ilo.org/)


22 ILO, 2018. *Care work and care jobs for the future of decent work*


24 OECD 2020. *SME Policy Responses*

25 OECD 2020. *SME Policy Responses*


27 Simple average of the shares of total value added per sector.


29 ILO. 2029. *Small Matters, global evidence on the contribution to employment by the self-employed, micro-enterprises and SMEs.*


32 United Nations. 2020 *The Impact of COVID-19 on Older Persons’*

33 ILOSTAT, [https://ilostat.ilo.org/](https://ilostat.ilo.org/)


COVID-19 cruelly highlights inequalities and threatens to deepen them.


Social Dialogue and the Future of Work


ILO Employment and Decent Work for Peace and Resilience Recommendation, 2017 (No. 205)

COVID-19 crisis and the informal economy: Immediate responses and policy challenges


In the recent study issued by Oxford University and leading global economists, “Will COVID-19 fiscal recovery packages accelerate or retard progress on climate change?” renewable energy projects create twice as many jobs per U.S. dollar compared to fossil fuel investments

World Economic and Social Outlook 2018: Greening with Jobs.

In 2013, analysis by the McKinsey Global Institute estimated that an increase in infrastructure investment equivalent to 1 percent of GDP could result in an additional 3.4 million direct and indirect jobs in India, 1.5 million in the United States, 1.3 million in Brazil, and 700,000 in Indonesia.

COVID-19 and the Health Sector.

Care work and care jobs for the future of decent work.

The recent establishment of the “COVID Response Alliance for Social Entrepreneurs” by the World Economic Forum recognises social enterprises’ role in the COVID response, from providing EdTech solutions to rural communities to low-cost solar systems to the very poorest people.

COVID-19: How social and economic sectors are responding: Sectoral impact, responses and recommendations

COVID-19: Joint statements and calls for action to fight COVID-19 by employers and workers in specific sectors

COVID-19 and the impact on agriculture and food security

ILO Standards and COVID-19.

ILO Standards and COVID-19.