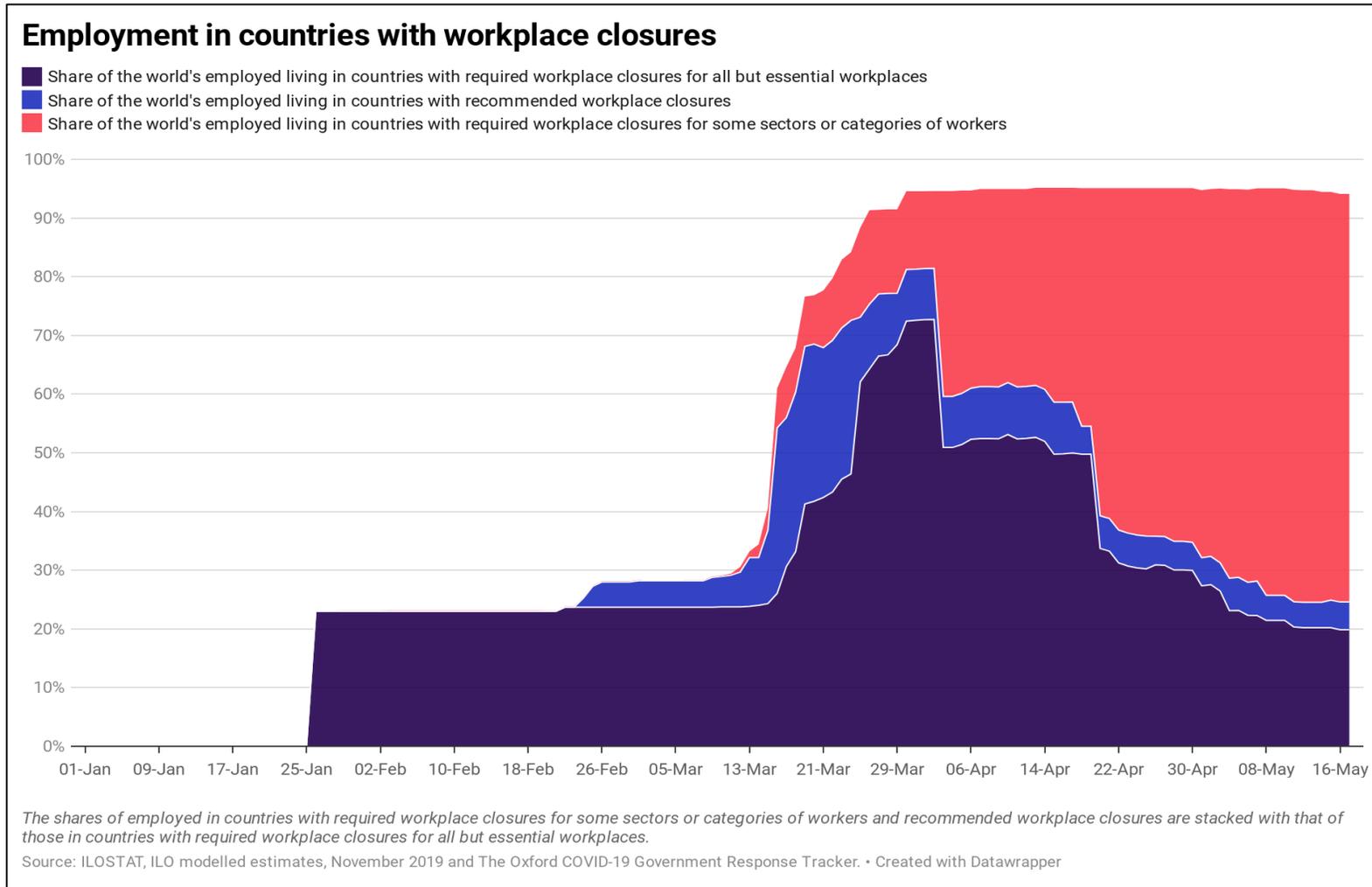


# The employment impact of the COVID-19 crisis and the route to recovery

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**Over 90% of the world's workers are living in countries with some workplace closure measures in place.**

**About 70% of them were in countries with required closures for all but essential workplaces as of the end of March 2020.**

**Stringency softened thereafter.**

## Estimated working-hours loss of 11% by June 2020 Compared to the pre-crisis (Q4 2019)

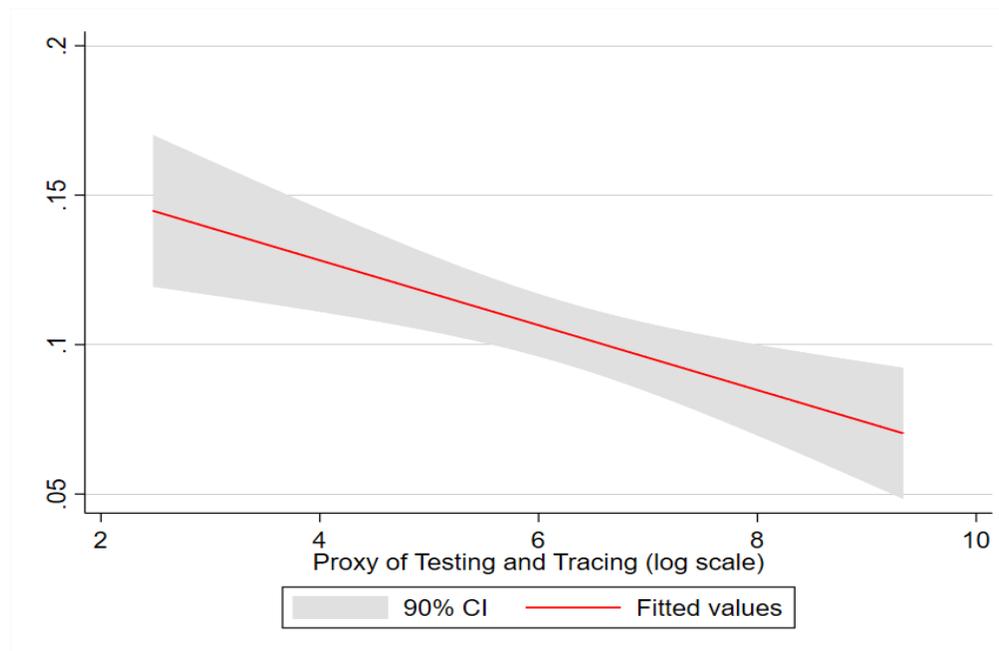
The loss to the labour market in G20 countries is equivalent to the risk of 210 to 250 mn full-time workers becoming unemployed, inactive or suspended/furloughed by the end of June 2020

	Percentage hours lost	Full-time equivalents (40 hours per week) in millions	Full-time equivalent (48 hours per week) in millions
<b>G20</b>	<b>11.1%</b>	<b>250</b>	<b>210</b>
<b>G20: Advanced economies</b>	<b>12.6%</b>	<b>60</b>	<b>50</b>
<b>G20: Emerging economies</b>	<b>10.7%</b>	<b>190</b>	<b>160</b>

Note: Values above 50 million are rounded to the nearest 5 million, values below that threshold are rounded to the nearest million. The equivalent losses in full-time jobs are presented to illustrate the magnitude of the estimates of hours lost. These losses can be interpreted as the estimate of the reduction in hours worked assuming that those reductions were borne exclusively and exhaustively by a subset of full-time workers and the rest of workers did not experience any reduction in hours worked. The figures in this table should not be interpreted as numbers of jobs actually lost or as actual increases in unemployment.

# Rigorous testing and tracing was associated with reduced harm to the labour market

Expected hour loss as a function of testing and tracing proxy, countries with direct nowcast available (Countries in the sample 45)



The estimated average loss of working hours for countries with the lowest testing is around 14 per cent, whereas the ones with the highest level of testing efforts record declines of 7 per cent.

# End-of-April 2020 labour force survey data are available only for a handful of countries – They show a variety of labour market outcomes but also common patterns

## Change in total employment 15+ and employment to population rate (EPR) in selected G20 countries

	Australia	Canada	Italy*	Korea	Japan	US
Change in total employment, April 2020 to April 2019 (000s of people)	- 400	- 2841	- 498	- 1039	- 800	- 23384
Change in EPR April 2020- April 2019 (%)	-2.8	-10.1	-1.1	- 1.5	-0.7	-9.3
Change in EPR January 2009- January 2008 (%)	- 0.6	- 1.3	-0.9	- 1.1	- 0.2	- 2.4

Source: ILOSTAT, ISTAT

\* 15-64

Countries relying on temporary layoffs are seeing a lower decline in employment, compared to those which have relied more on unemployment support

In all cases, the decline in the employment rates was stronger than in the wake of the 2008 global financial crisis

Social consumption sectors, youth and women, and informal/poor workers were hit especially hard - adding to existing vulnerabilities and inequalities

# At the outburst, social protection systems played a critical role in providing income support and job protection

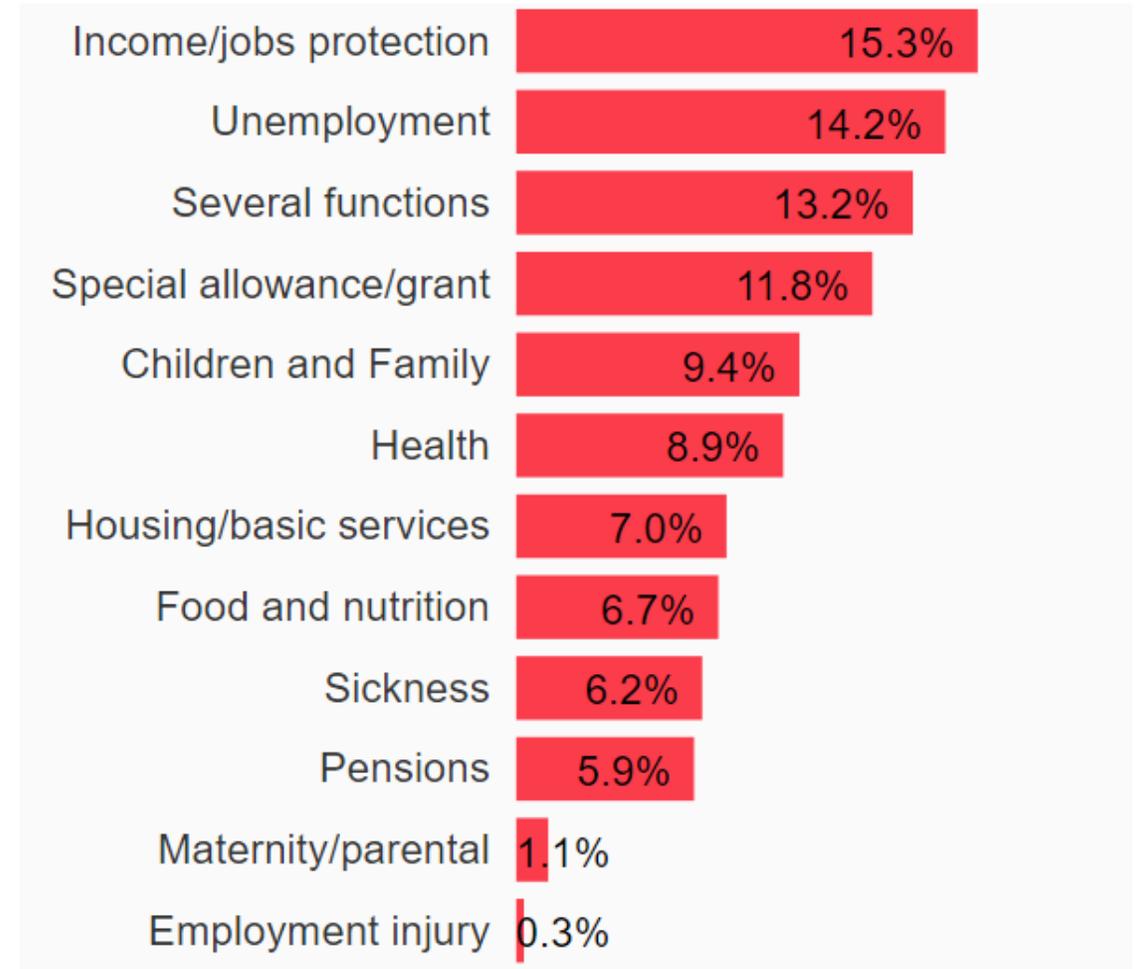
## Social protection measures were a fundamental part of the policy response to Covid-19:

- As 02/06/2020, G20 countries had announced at least 372 SP measures (34% of total policy measures)
- Main areas were income/jobs protection and unemployment and job protection (about 29.5%)
- New programmes accounted for almost half of the SP measures announced (46%)

## Challenges:

- Gaps in financing
- Reaching out to the most vulnerable groups and the informal economy
- International support to lowest-income countries
- Reaching a better new normal – Comprehensive and well-resources social protection systems for all in all countries

## G20 SP responses to COVID-19 by function:



# As the pandemic persists, recovery of jobs and incomes won't happen by itself

There are different ways in which the Covid-19 pandemic is having a dramatic impact on employment and incomes.

**The immediate and most direct is the effect of containment measures.** As restrictions are lifted or better targeted, some of the businesses and jobs might recover quickly; but to get back to the prior levels of economic activity and employment will not be instantaneous nor automatic.

**Second-order macroeconomic effects are significant.** Even when containment measures are lifted, voluntary distancing will keep a brake on social consumption for the fear of a second wave; households will raise their precautionary savings; enterprises will refrain from capital investment. This would leave output below potential and the economy far from full employment.

**Moreover, we are heading toward a global recession that is likely to have particularly damaging effects for poorer nations.** Even with no Covid-19 cases, developing economies are suffering from disruptions in global supply chains, decline in the price of their commodities for export; capital flight and the collapse of tourism, remittances and foreign direct investments.

# Stepping up the human-centered approach called for by the G20 Labour and Employment Ministers' Statement on COVID-19

- **The return to work should not compromise on public health** – Social dialogue and international labour standards should be used to set clear and transparent rules of the game for the reopening of the economy
- **Social protection needs to be extended** - to provide adequate support for all workers in need, regardless of their employment status, age, or gender, and to avoid further shrinking of demand and business failures.
- **Massive fiscal stimuli will be necessary to close the gaps in private consumption and investment and create jobs** – including support to MSMEs as well as public investments in strategic sectors such as health, care, green economy, digital and other infrastructure with great potential of job creation.
- **Active labour market policies, education and training and structural reforms** could be used to facilitate transitions to the new jobs, but alone cannot bear the burden of job creation and productivity.
- **International cooperation has a major role to play** – to assist poorer nations that have limited fiscal space, a narrow tax base, weak domestic financial markets and cannot borrow in their own currency. Avenues to explore includes international liquidity; concessional development finance; tackling tax havens; suspension, relief and restructuring of sovereign debt starting with the most vulnerable countries. ▶ ilo.org