

Global impact of the COVID-19 crisis

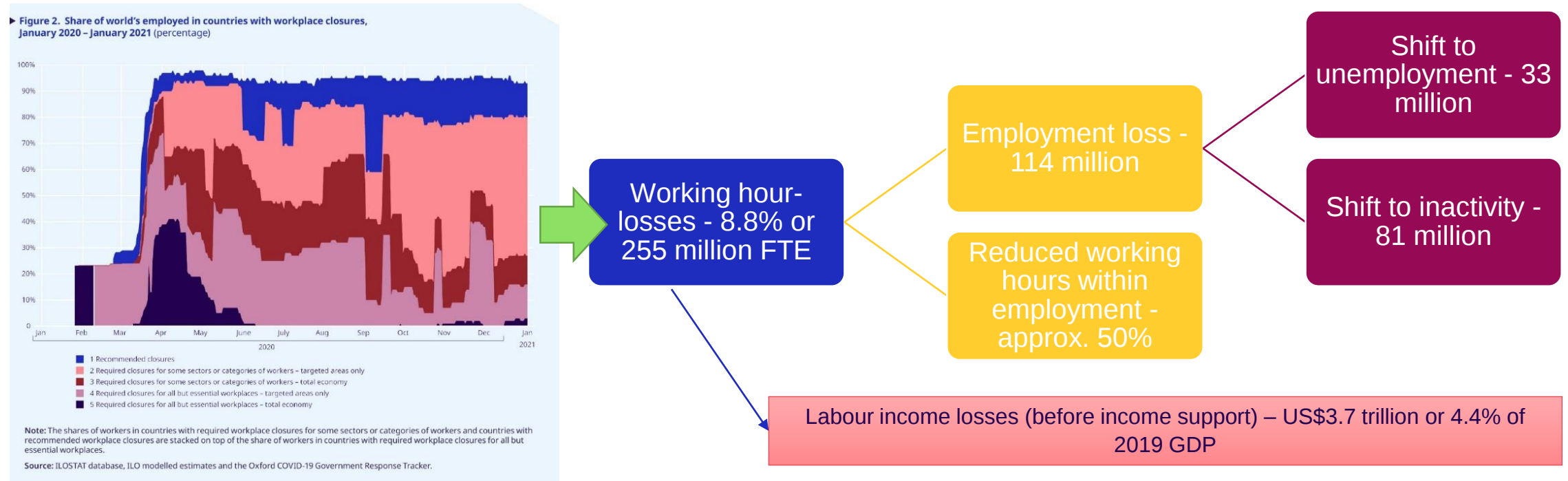
Sher Verick and Dorothea Schmidt-Klau



Overview

- In response to the COVID-19 pandemic, lockdown measures were implemented around the world, impacting economic activity, disrupting both demand for and supply of labour
- Working hours declined across the world in 2020 (working-hour losses were 4x greater than in the GFC) with the biggest falls in middle-income countries, especially in the Americas – resulting in a sharp fall in employment in hard-hit labour markets, which led to a greater increase in inactivity than unemployment
- Containment measures eased in 2020Q3, resulting in some improvements in labour market outcomes, but recovery in last quarter has been uneven and fragile, even reversing in some countries
- Heterogeneous effects across sectors and population groups have been very pronounced and have implications for the recovery – women, youth, low-skilled and those in the informal economy have been disproportionately affected

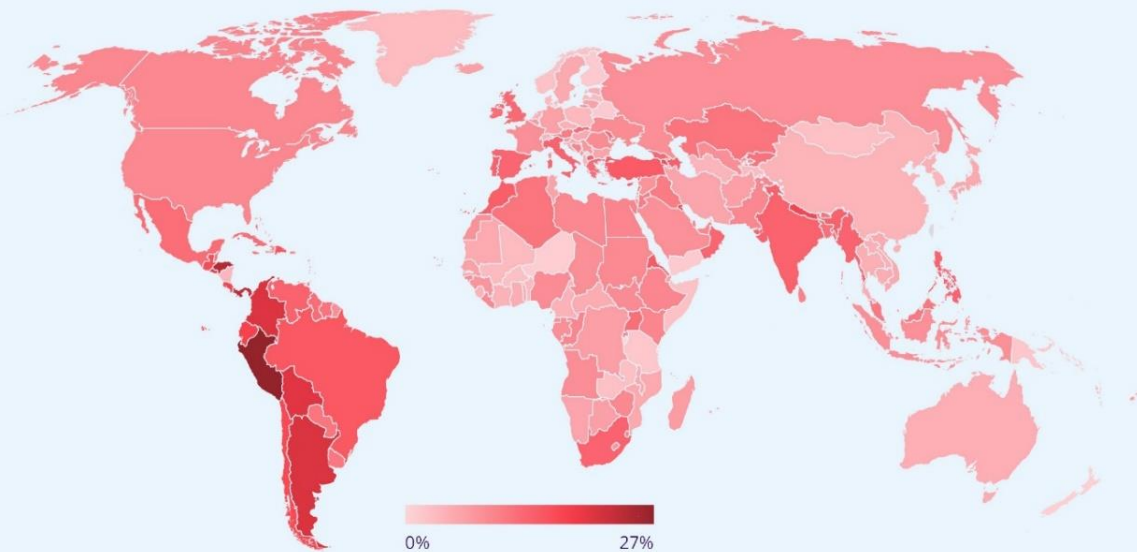
Lockdown measures led to a severe economic and labour market crisis in 2020



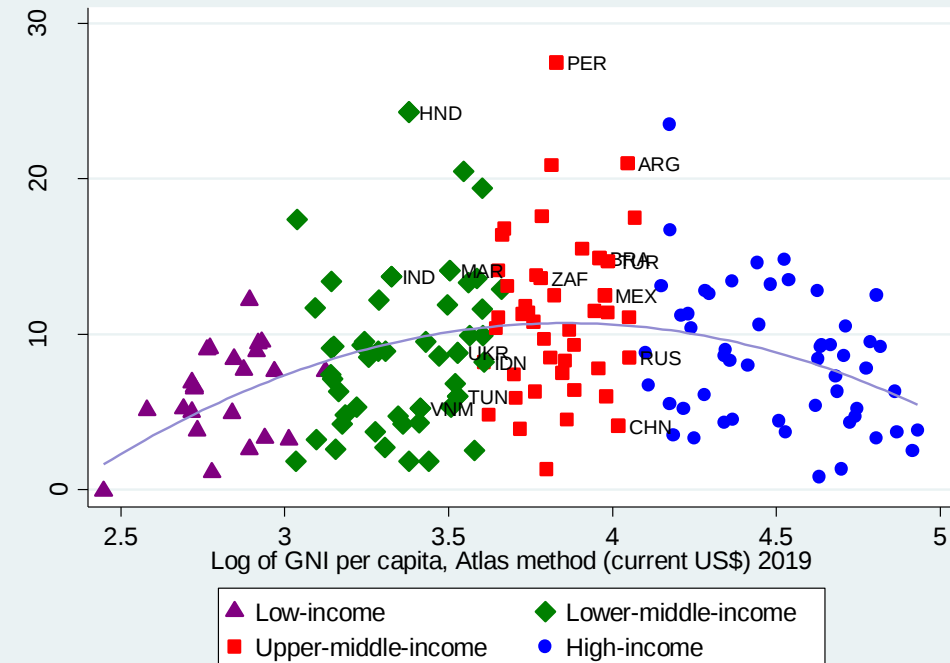
Source: 7th ILO Monitor

...affecting all regions but particularly middle-income countries in Americas and South Asia

► Figure 3. Working hours lost around the world in 2020 relative to the fourth quarter of 2019 (percentage)



Source: ILO nowcasting model (see Technical Annex 1).



Adjustment determined by lockdown measures + nature of labour market along with impact of other policies and institutions (e.g. fiscal stimulus, JRS)

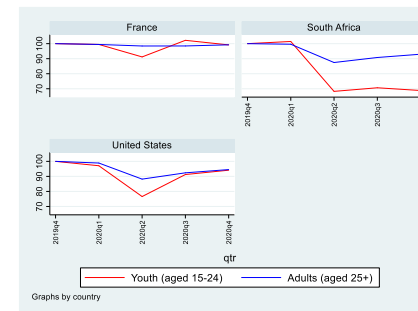
Regression of employment growth on stringency of lockdown measures

	(1)	(2)	(3)	(4)
	Total	Lower-middle-income	Upper-middle-income	High-income
Oxford Stringency Index	-0.128***	-0.0754*	-0.208***	-0.0799***
	(-9.21)	(-2.53)	(-5.91)	(-7.08)
Constant	3.534***	2.189	5.241*	2.112***
	(4.88)	(1.28)	(2.58)	(3.82)
Observations	172	16	43	113
R ²	0.329	0.264	0.447	0.305

t statistics in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Looking at latest data on employment shows considerable variation – stronger recovery (e.g. US), stability (e.g. France), persistent deficits, esp. for youth (e.g. South Africa)



Diverging trends in working hours and employment at the sectoral level

► Table 1

Sector	At-risk status (2nd ILO Monitor)	Growth of working hours (yoy) (%)		Growth of employment (yoy) (%)	
		2020Q2	2020Q3	2020Q2	2020Q3
I. Accommodation and food service activities	High	-33.0	-17.5	-20.3	-13.6
R, S, T. Other services*	Medium-High	-20.8	-9.1	-13.4	-6.3
F. Construction	Medium	-14.8	-4.0	-8.4	-2.2
G. Wholesale and retail trade; repair of motor vehicles and motorcycles	High	-13.0	-4.9	-7.2	-2.8
C. Manufacturing	High	-11.9	-4.4	-5.6	-2.5
P. Education	Low	-11.4	-1.3	-1.4	0.1
H.J. Transport, storage; communication	Medium-High	-9.8	-3.7	-3.1	-1.6
H. Transportation and storage	n.a.	-14.9	-8.5	-6.2	-6.1
J. Information and communication	n.a.	1.3	5.8	5.0	7.3
L,M,N. Real estate; business and administrative activities	High	-7.9	-4.0	-2.5	-2.1
A. Agriculture; forestry and fishing	Low-medium	-6.9	-4.3	-3.9	-3.1
O. Public administration and defence; compulsory social security	Low	-4.2	1.5	-1.2	1.8
D,E. Utilities	Low	-3.5	0.7	0.1	1.1
Q. Human health and social work activities	Low	-3.4	0.2	-0.8	0.5
B. Mining and quarrying	Medium	-2.4	-1.6	3.6	2.8
K. Financial and insurance activities	Medium	-0.5	2.2	3.4	3.5

Accommodation/ food services and other services were the hardest hit while some, including IT and finance, continued to grow in 2020

► Employment losses resulted in a much bigger increase in inactivity, with youth and women being hit harder

► **Figure 8. Decomposition of employment losses into changes in unemployment and inactivity, by sex and age, world, 2020 (percentage)**

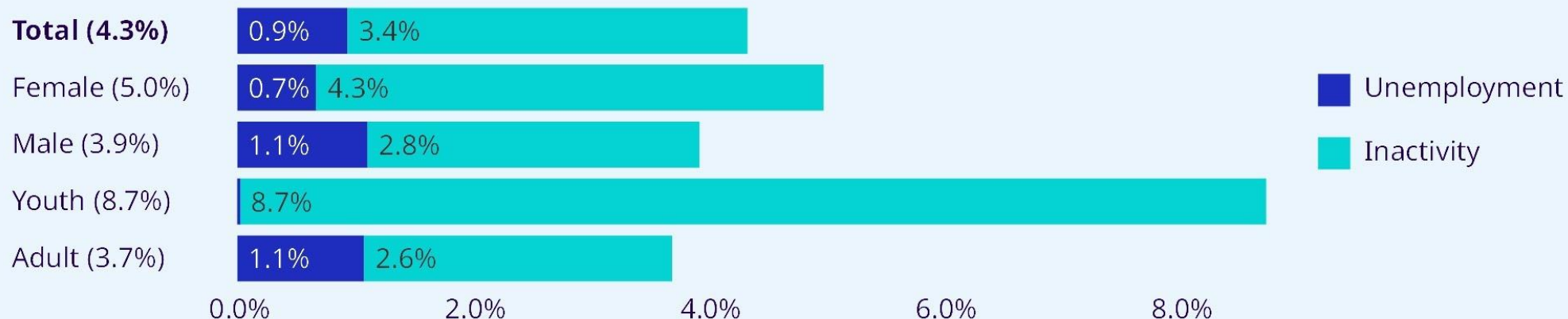
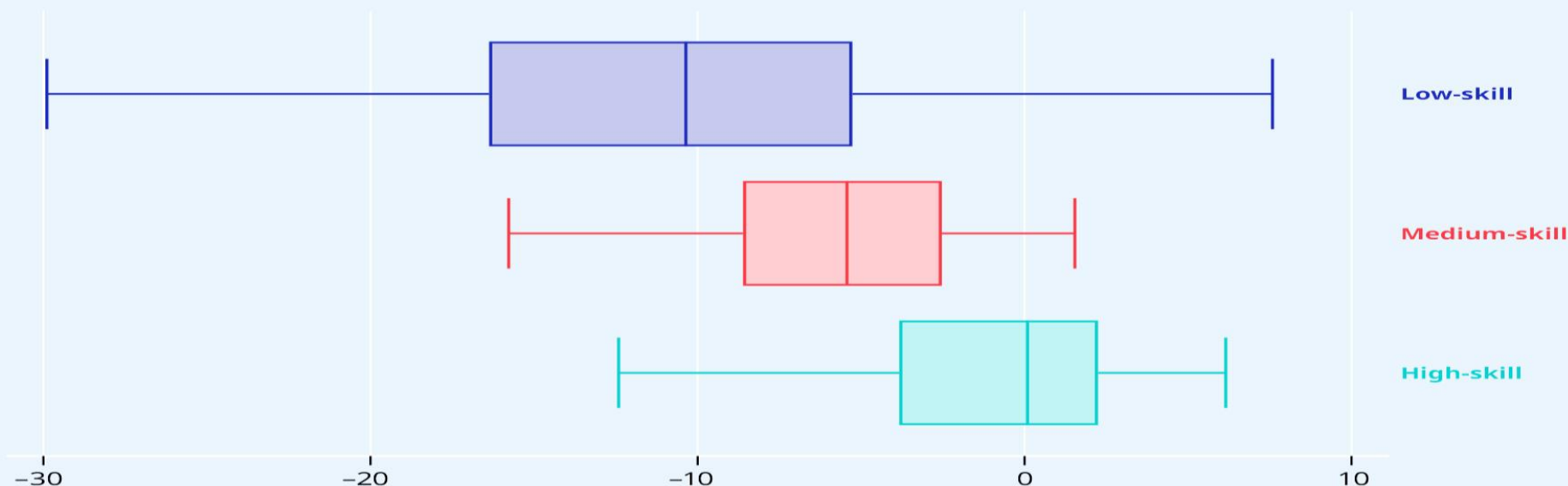


Figure 4. Changes in employment by skill level (2nd quarter of 2020, year-on-year change)



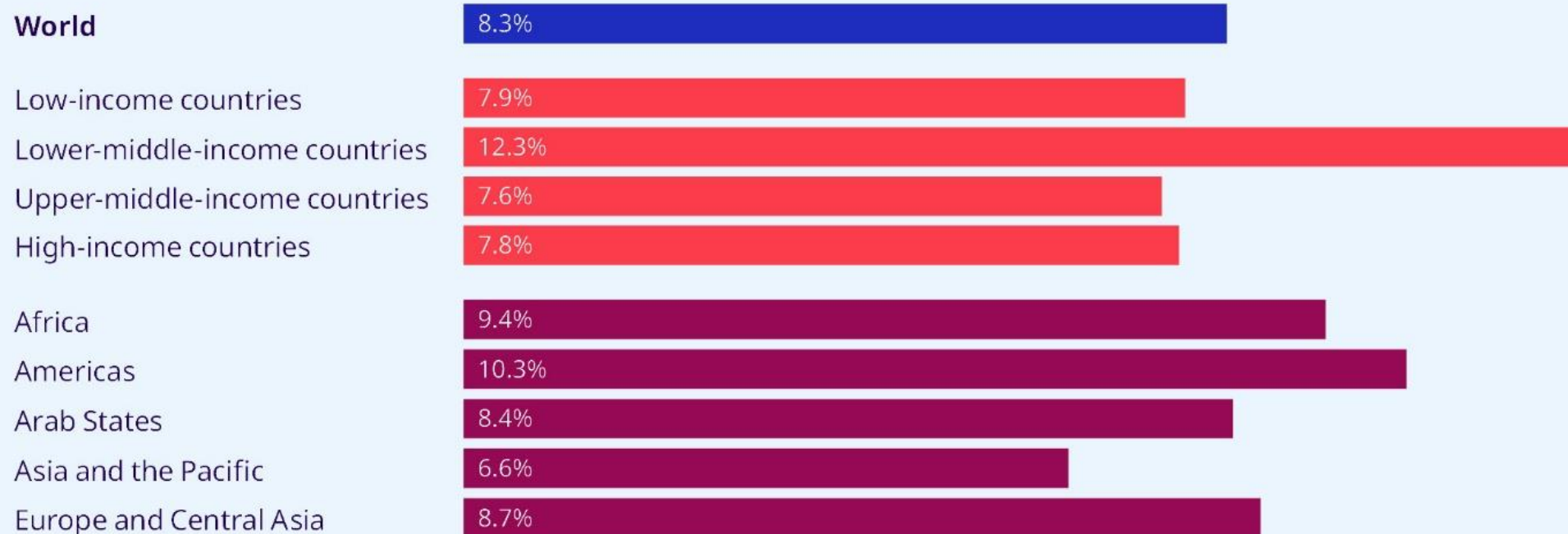
Low-skill = elementary occupations and skilled agricultural, forestry and fishery workers; Medium-skill = clerical support workers, service and sales workers, craft and related trades workers, plant and machine operators, and assemblers; High-skill = managers, professionals and technicians, and associate professionals. The skill levels are based on ISCO-08; see [ILOSTAT](#) for further details.

Note: The sample consists of 50 high- and middle-income countries and territories with employment data for the second quarter of 2020 disaggregated by occupation. The box graph should be read as follows: (a) the vertical line in the middle of the box represents the median value (50th percentile); (b) the left-hand side of the box (whisker) represents the 25th percentile; (c) the right-hand side of the box (whisker) represents the 75th percentile; (d) the adjacent lines to the left and right of the box represent the lowest and highest values, respectively.

Source: ILOSTAT database, accessed 12 January 2021.

Global labour income (pre-support) has fallen significantly and unevenly

► **Figure 9. Share of labour income lost due to working-hour losses in 2020 (before income support measures), world and by income group and region (percentage)**



Note: Labour incomes are aggregated using purchasing power parity exchange rates.

► ... with wide variation seen in post-support labour income across different categories of workers

	Peru	Brazil	Viet Nam	Italy	United Kingdom	United States
All workers	-56.2	-21.3	-6.9	-4.0	-2.9	-9.3
Youth	-73.5	-30.1	-25.1	-11.6	-18.9	-11.0
Self-employed	-70.3	-24.9	-9.6	-21.1	n.a.	n.a.
Employees	-48.9	-19.9	-5.4	-3.7	n.a.	n.a.
Men	-55.3	-20.8	-6.5	-3.8	-5.1	-8.8
Women	-57.9	-22.2	-7.5	-4.3	0.3	-10.0
Low skill	-61.7	-28.4	-6.7	-7.3	n.a.	n.a.
Medium skill	-61.6	-24.2	-8.3	-7.1	n.a.	n.a.
High skill	-48.5	-17.9	-3.2	-0.1	n.a.	n.a.

5 pillars of a human-centred recovery

Maintaining an **accommodative macroeconomic policy** for income support and investment

Assisting **low- and middle-income countries** with vaccination and policy measures

Ensuring that **hard-hit groups** (young people, women, the low-paid and low-skilled workers) are supported in finding decent work opportunities

Human-centred
recovery

Implementing **recovery strategies**, based on social dialogue, that promote a transition to a more inclusive, resilient and sustainable world of work

Balancing the needs of the **diverging sectors**, with effective policy measures to support transitions as well as enterprises (esp. smaller firms)