The pandemic has brought unprecedented disruption that – absent concerted policy efforts – will scar the social and employment landscape for years to come.

The COVID-19 pandemic has caused unparalleled disruption worldwide through its devastating impact on public health, employment and livelihoods. Governments and workers’ and employers’ organizations everywhere have taken immediate measures to tackle the crisis, preserve jobs and protect incomes, though these measures have differed in scope and generosity. While such measures have been crucial in mitigating the crisis, all countries have suffered a sharp deterioration in employment and national income, which has aggravated existing inequalities and risks inflicting longer-term “scarring” effects on workers and enterprises. A resolute policy response is required to address the fragility and unevenness of social and economic conditions and bring about a human-centred recovery.

In 2020, an estimated 8.8 per cent of total working hours were lost – the equivalent of the hours worked in one year by 255 million full-time workers. This summary indicator captures the various channels through which the pandemic has affected labour markets. Around half of the working-hour losses were due to the reduced hours of those who remained employed (and they can be attributed to either shorter working hours or “zero” working hours under furlough schemes). The remaining half were due to outright employment losses. Relative to 2019, total employment fell by 114 million as a result of workers becoming unemployed or dropping out of the labour force. Had there been no pandemic,
The world would have created an estimated 30 million new jobs in 2020. Taken together, these losses mean that the global shortfall in employment increased by 144 million jobs in 2020 (see the figure below), drastically exacerbating the shortage of employment opportunities that already existed prior to the pandemic.

Recurrent waves of the pandemic around the globe have caused working-hour losses to remain persistently high in 2021, leading to a shortfall in total working hours of 4.8 per cent in the first quarter that dipped slightly to 4.4 per cent in the second quarter. This shortfall – corresponding to the working-hours equivalent of 140 million full-time jobs in the first quarter and 127 million full-time jobs in the second quarter – highlights that as the first half of 2021 draws to a close, the crisis is far from over. Latin America and the Caribbean, and Europe and Central Asia, are the two worst-affected regions, with estimated working-hour losses in each case exceeding 8 per cent in the first quarter and 6 per cent in the second quarter of 2021.

The total working-hour losses have translated into a sharp drop in labour income and an increase in poverty. Global labour income, which does not include government transfers and benefits, was US$3.7 trillion (8.3 per cent) lower in 2020 than it would have been in the absence of the pandemic. For the first two quarters of 2021, this shortfall amounts to a reduction in global labour income of 5.3 per cent, or US$1.3 trillion. Relative to 2019, an estimated additional 108 million workers are now extremely or moderately poor, meaning that they and their family members are having to live on less than US$3.20 per day in purchasing power parity terms. Five years of progress towards the eradication of working poverty have been undone, as working poverty rates have now reverted to those of 2015.

Looking ahead, the projected employment growth will be insufficient to close the gaps opened up by the crisis. A process of globally uneven economic recovery can be expected to begin from the second half of 2021 onwards – driven by progress in vaccination and large-scale fiscal spending. These positive effects will mostly remain limited in their geographical scope without concerted international policy action on both vaccine distribution and fiscal support, including debt relief. Globally, the recovery is projected to result in the net creation of 100 million jobs in 2021 and an additional 80 million jobs in 2022. Projected employment in 2021, however, will still fall short of its pre-crisis level. In addition, it is likely that there will be fewer jobs than would have been created in the absence of the pandemic. Taking this forgone employment growth into account, the crisis-induced global shortfall in jobs is projected to stand at 75 million in 2021 and at 23 million in 2022 (see the figure below). The corresponding shortfall in working hours in 2021 amounts to 3.5 per cent – equivalent to 100 million full-time jobs. The slower-than-anticipated progress of vaccination campaigns, coupled with a resurgence of the pandemic in early 2021,

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### Pandemic-induced global shortfall in jobs, relative to 2019 (millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Projected difference in actual employment</th>
<th>Forgone job growth due to pandemic</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>-114</td>
<td>30</td>
</tr>
<tr>
<td>2021</td>
<td>-14</td>
<td>61</td>
</tr>
<tr>
<td>2022</td>
<td>-14</td>
<td>89</td>
</tr>
</tbody>
</table>

**Note:** The red dots denote the projected difference in actual employment relative to 2019. The blue dots denote the development that would have been expected had there been no pandemic, hence showing forgone employment growth. The numbers inside the bars refer to the total pandemic-induced shortfall in jobs in a given year (that is, the shortfall due to the combination of actual employment losses and forgone employment growth).

**Source:** ILO estimates.
explains the ILO’s downward revision of the recovery of working-hour losses by 0.5 percentage points since the seventh edition of the ILO Monitor: COVID-19 and the World of Work was issued in late January 2021. The new projection suggests that an additional 10 million full-time equivalent jobs will remain lost in 2021, giving a total of 100 million lost jobs, compared with 90 million prior to the revision.

The projected employment growth will be too weak to provide sufficient employment opportunities for those who became inactive or unemployed during the pandemic and for younger cohorts entering the labour market, who have suffered significant disruptions to their education and training. As a result, many previously inactive workers will enter the labour force but will not be able to find employment. This is expected to cause a sustained and pronounced increase in unemployment: from 187 million in 2019 to 220 million in 2020, 220 million in 2021 and 205 million in 2022. Prior to the COVID-19 crisis, the projected unemployment rate of 5.7 per cent in 2022 was last seen in 2013. In contrast to the situation during that year, unemployment is projected to be high in countries at all income levels in 2022, with middle-income countries being the most affected. Indeed, the recovery will be relatively faster in high-income countries. In low- and middle-income countries, the more limited access to vaccines and greater constraints on fiscal spending will dampen the employment recovery. At the same time, many of these countries have had no choice but to lift workplace closure measures early on, since public deficit and debt levels and the upsurge in poverty made it difficult for them to maintain lockdowns over extended periods.

To make matters worse, many of the newly created jobs are expected to be of low productivity and poor quality. Between 2019 and 2022, the average labour productivity growth rate is projected to fall below the pre-crisis rate for all but high-income countries. As a result of low growth in gross domestic product and a strong increase in the working-age population, the lack of productive employment opportunities will be most severe in low-income countries. In these countries, average annual labour productivity growth is projected to decline from an already meagre 0.9 per cent for the period 2016–19 to a negative rate of –1.1 per cent for 2019–22. This dramatic development renders the goal of eradicating poverty by 2030 even more elusive. The shift towards self-employment – which is disproportionately characterized by low-productivity, informal work – is yet another sign of deteriorating work quality. In 14 middle-income countries with available data, self-employment declined less in the second quarter of 2020 than wage and salaried employment. When employment picked up in the third quarter of 2020, this was again stronger for self-employment. Globally in 2020, job losses among wage and salaried employees were estimated to be twice as large as losses among the self-employed, causing a shift in the employment structure.

The highly uneven impact of the crisis exacerbates pre-existing decent work deficits and social inequalities

Many businesses, particularly micro and small enterprises, have already gone bankrupt or are facing a highly uncertain future, with negative consequences for their future productivity and their ability to retain workers. The problem is most pronounced in those sectors of economic activity that have been most affected by the crisis – that is, accommodation and food services, wholesale and retail trade, construction and manufacturing – and in activities where there is a large number of smaller enterprises. Such enterprises are less likely to have the financial means to withstand prolonged disruptions to their business operations. Those that have not closed have become saddled with high levels of debt that compromise their scope for future investments and productivity growth. According to an ILO survey of 4,520 businesses in 45 countries worldwide undertaken in the second quarter of 2020, 80 per cent of micro-enterprises and 70 per cent of small firms were facing significant financial difficulties. Informal enterprises are in the most precarious situation given their inability to access COVID-19-related government support or formal lines of credit.

Informal workers have also been affected disproportionately by the crisis. Roughly 2 billion workers – or 60.1 per cent of the globally employed – were working informally in 2019.
Informal employees were three times more likely than their formal counterparts, and 1.6 times more likely than the self-employed, to lose their jobs as a result of the crisis, thereby contributing to the observed shift towards self-employment. Moreover, because of their informal status, they were less likely to benefit from social protection. As many of these workers have lower savings rates, they have been more likely to fall deeper into poverty. Their already disadvantaged situation and the severe disruption to their working lives risk jeopardizing their future labour market trajectories. In addition, large regional variations in the prevalence of informality have contributed to the highly uneven impact of the COVID-19 crisis across countries.

Similarly, the non-uniform impact of the crisis interacts with skill level, thereby exacerbating social inequalities through yet another channel. Workers with higher skill levels tend to work in occupations that have been less affected by employment losses and that have benefited from options for working remotely. The ability to work from home in higher-skilled occupations, and in areas with readier access to the internet, has accentuated inequalities between the global North and the global South, between households with different socio-economic status, and between rural and urban areas. At the same time, moving to an online environment raises issues related to working conditions when working from home – particularly concerns about the blurring of boundaries between work and personal life, and increased childcare needs. Moreover, the shift to working from home can potentially weaken social cohesion, as workplaces have traditionally played an important role as venues for human interaction.

The crisis threatens to jeopardize progress on gender equality, as women have suffered disproportionate job losses while seeing their unpaid working time increase. The disruption to labour markets has had devastating consequences for both men and women, yet women’s employment declined by 5 per cent in 2020 compared with 3.9 per cent for men. Additionally, 90 per cent of women who lost their jobs in 2020 exited the labour force, which suggests that their working lives are likely to be disrupted over an extended period unless appropriate measures are adopted. A cross-cutting issue affecting women in all countries, sectors, occupations and types of employment is that the burden of intensified childcare and home-schooling activities has disproportionately fallen on them, leading to a rise in unpaid working time for women that reinforces traditional gender roles. Moreover, women often work in front-line occupations, such as care workers or grocery clerks, that face elevated health risks and difficult working conditions. Setbacks in the advancement of gender equality are especially problematic in those regions where gender gaps were already extensive before the crisis.

The crisis has affected many young people at a critical moment in their lives, disrupting their transition from school or university to work. Evidence from previous crises shows that entering the labour market during a recession reduces longer-term employment probabilities, wages and the prospects for on-the-job skills development. This is because fewer jobs are available and unemployment is consequently higher, and also because those young people who find employment are more likely to be employed in temporary positions while business confidence remains shaken. Although recessions may also prompt young workers to invest more strongly in formal education, the share of young people not in employment, education or training increased in both destination countries and countries of origin. In destination countries, sectors reliant on seasonal migrant workers struggled to maintain their workforces because of the widespread travel restrictions. The decline in remittances negatively affected countries of origin. Remittances are a major source of income in many poorer countries, where they are key to supporting both household incomes and domestic demand. The shrinking of remittance flows has thus exacerbated poverty in migrants’ countries of origin.
Preventing long-lasting damage to global economic and social outcomes requires a comprehensive and concerted human-centred policy agenda

Decent work deficits and inequalities transformed the COVID-19 pandemic from a public health crisis into an employment and social crisis that has upended the livelihoods of millions of workers. There is a genuine risk that without comprehensive and concerted policy efforts, widened inequality and reduced overall progress in the world of work will persist across multiple dimensions. International policy action is needed to ensure worldwide access to vaccines and financial assistance for developing countries – including through debt restructuring. Governments, in consultation with employers’ and workers’ organizations, need to seize the moment and tackle long-standing decent work deficits so that labour markets can be rebuilt in a more just and sustainable way. As stated in the ILO Centenary Declaration for the Future of Work (2019), such an endeavour involves “put[ting] workers’ rights and the needs, aspirations and rights of all people at the heart of economic, social and environmental policies”. A human-centred recovery should therefore seek to:

(1) Promote broad-based economic growth and the creation of productive employment through investment in sectors that can be a source of decent jobs and that support a just transition, gender equality and vibrant labour markets. Ensuring that countries have adequate fiscal space to address existing gaps in physical and social infrastructure, and that economies have sufficient liquidity to support access to credit needed by the private sector, is key to the recovery.

(2) Support household incomes and labour market transitions, particularly for those most affected by the crisis, through active labour market policies, public employment services and publicly provided, high-quality care services. Investment in these areas facilitates the participation of workers in the labour market, and allows them to improve their labour market prospects by acquiring higher skills.

(3) Strengthen the institutional foundations of inclusive, sustainable and resilient economic growth and development by enhancing social protection systems, promoting formalization, and ensuring that all workers, irrespective of their contractual arrangements, have the right to freedom of association and collective bargaining, enjoy safe and healthy working conditions and receive adequate minimum wages.

(4) Engage in social dialogue to develop and ensure effective implementation of human-centred recovery strategies. Such strategies are better designed and more effective when they are the fruit of dialogue and negotiation between governments and employers’ and workers’ organizations. Bipartite and tripartite negotiations should be conducted to address critical aspects of workplaces, especially occupational safety and health.
Advancing social justice, promoting decent work

The International Labour Organization is the United Nations agency for the world of work. We bring together governments, employers and workers to drive a human-centred approach to the future of work through employment creation, rights at work, social protection and social dialogue.