

“The Post COVID-19 World of Work: In search of a Human-Centered Recovery”

9th JULY 2021

CORONA PANDEMIC AND WORLD OF WORK : EMPLOYMENT CRISIS AND NEED OF VISIBLE GOVERNMENT HANDS

**RDW ILO
CONFERENCE**

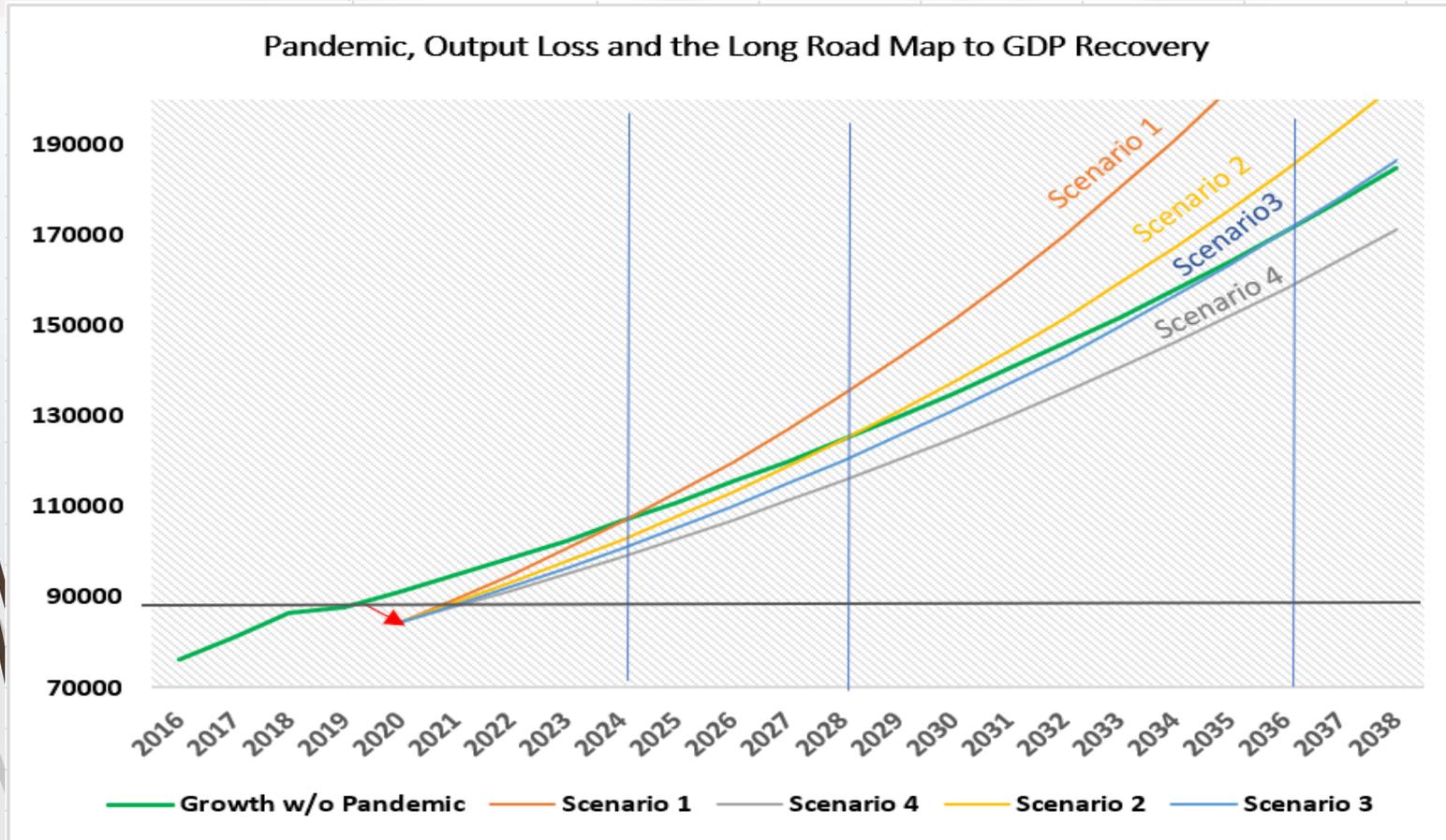
Farida Jalal ,PhD Scholar
CESP, Jawaharlal Nehru University (JNU), New Delhi, India

Email: faridajalal03@gmail.com

OBJECTIVES

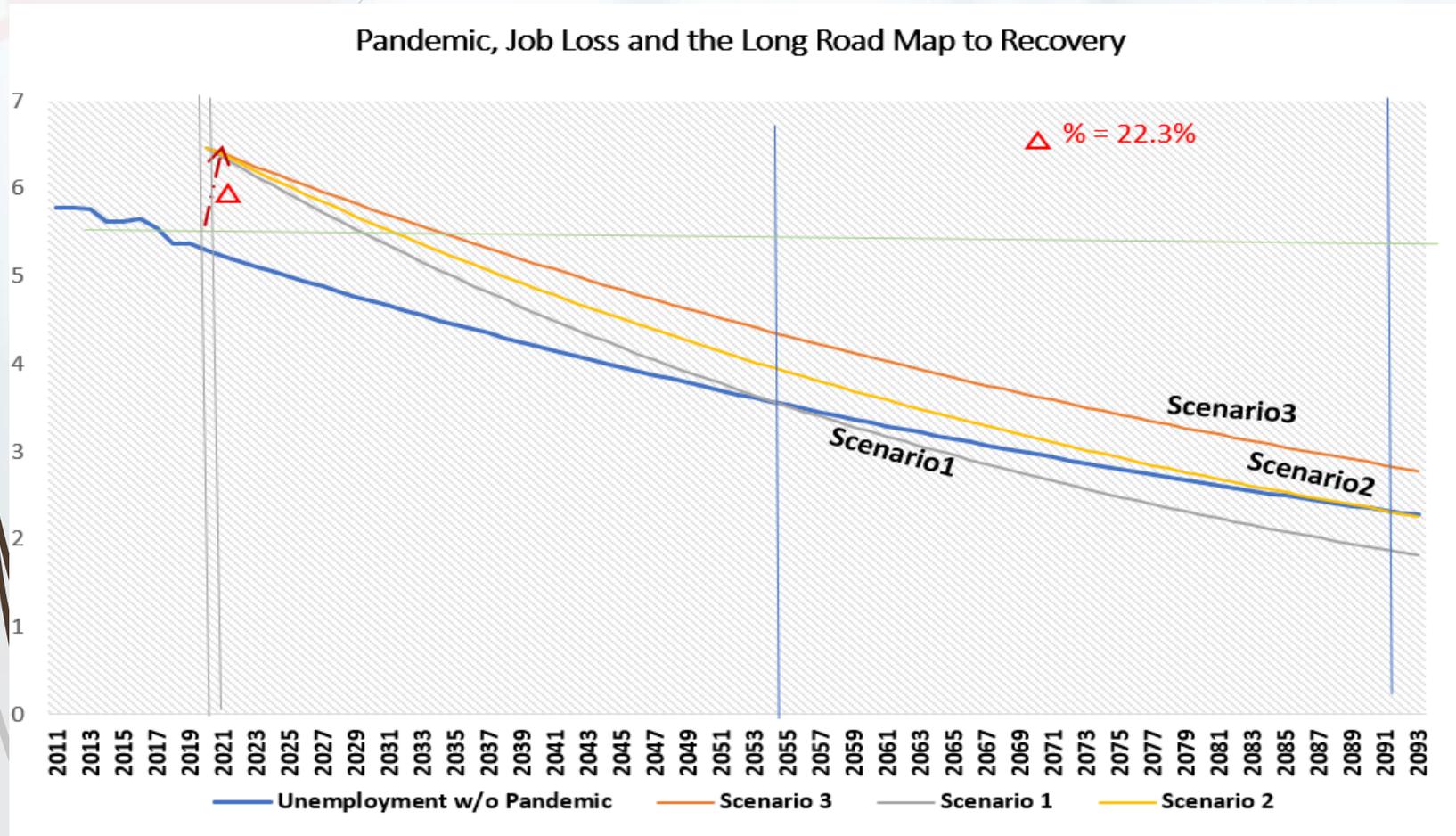
- Recovery Path for Global GDP and Global Unemployment
- To analyse relationship between unemployment levels in 2020 with GDP, Public Expenditure, Covid-19 cases and EPLex.
- To proposed measures for recovery over the short-term, and reforms in the long-term.

RECOVERY FOR GLOBAL GDP IN ALTERNATE SCENARIOS



- **Scenario 1:** Following a YoY growth rate of 6% it catches up the non pandemic growth path in year 2024
- **Scenario 2:** Following a 5% growth rate it will catch up in year 2028
- **Scenario 3:** Following a 4.5% YoY growth rate it will catch up in 2036
- **Scenario 4:** With a growth rate of 4% YoY it will be unable to catch up with the loss of GDP due to pandemic.

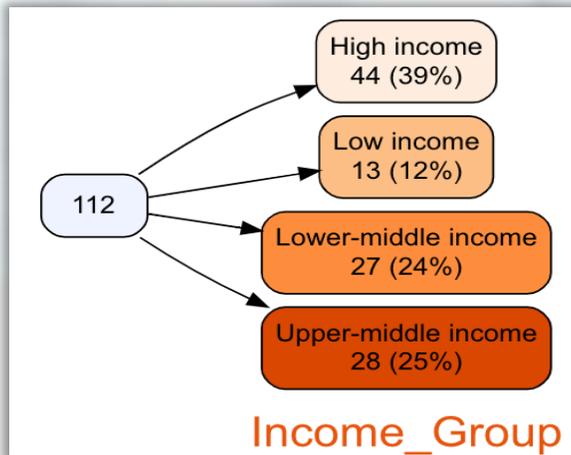
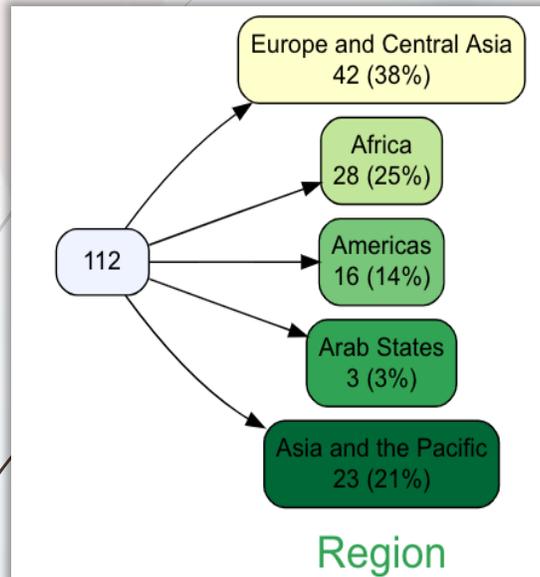
RECOVERY FOR GLOBAL UNEMPLOYMENT IN ALTERNATE SCENARIOS



- **Scenario 1:** Follows unemployment decline expected with a 6% growth rate of GDP. It catches up with non pandemic unemployment trend in year 2054.
- **Scenario 2:** Following a 5% YoY growth rate of GDP, the unemployment trends can catch up in year 2091.
- **Scenario 3:** Following a 4% YoY growth rate of GDP, the unemployment catching up goes beyond century.

REGRESSION ANALYSIS

Relation of unemployment with other economic indicators

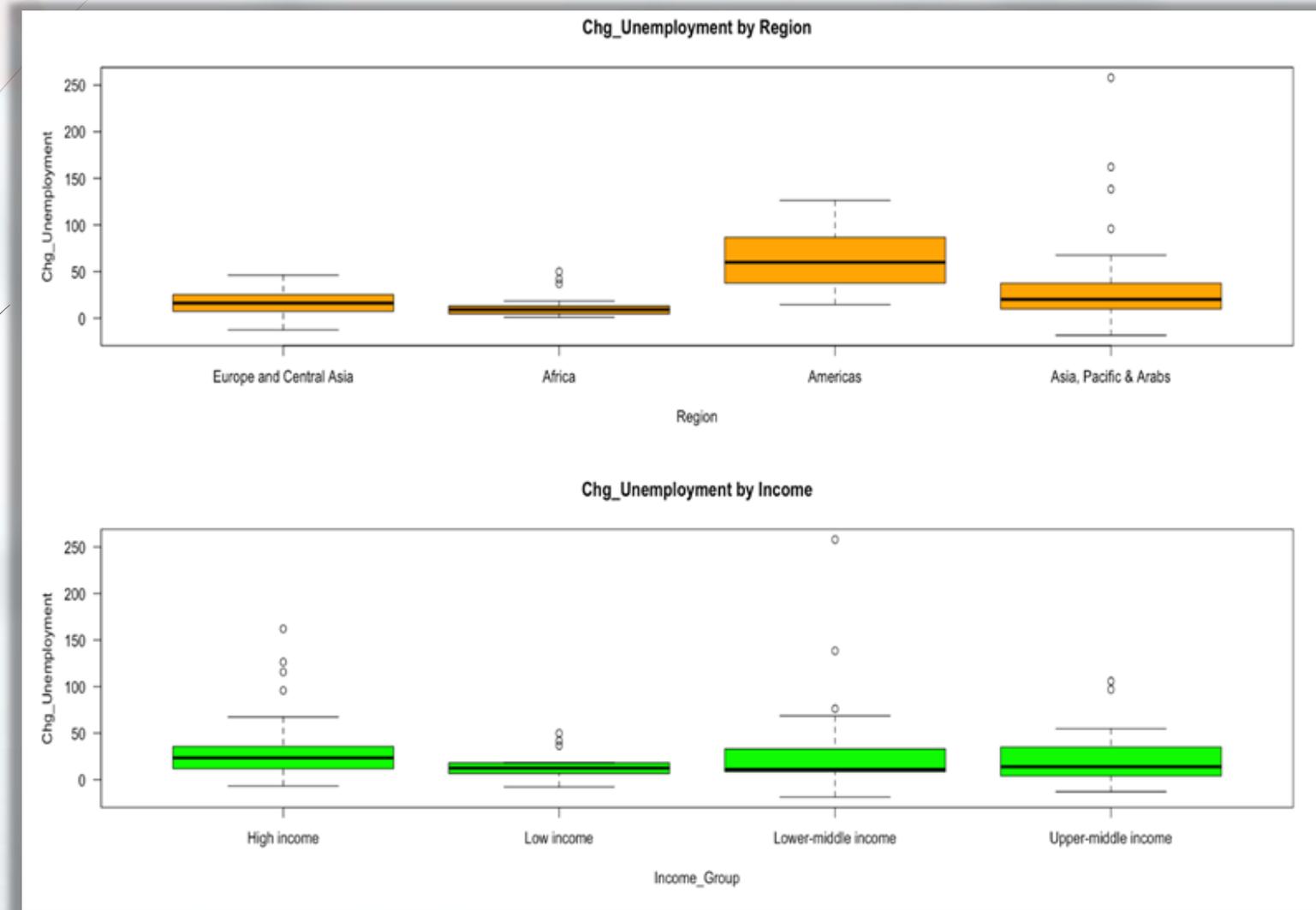


Indicator	Source	Methodology	Labels
Unemployment	World Bank	Percentage Change from 2019 to 2020	Chg_Unemployment
Health Sector Expenditure	IMF	Expenditure as Percentage of GDP	Health.sector
Non-Health Sector Expenditure	IMF	Expenditure as Percentage of GDP of country	Non.health.sector
Liquidity Support	IMF	Expenditure as Percentage of GDP	Liquidity.Support
EPLEX	ILO	Total value of EPLex Indicator	EPLex, ILO
Incidence of Covid Cases	John Hopkins University	Total Covid cases as percentage of population in 2020	Covid_Case_Prop.popl
GDP	IMF, World GDP	Percentage Change in GDP from 2019 to 2020	Chg_GDP
Region	ILO	5 Divisions by Region	Dummy Variable 1
Income Group	World Bank Income Group	4 Division by Income	Dummy Variable 2

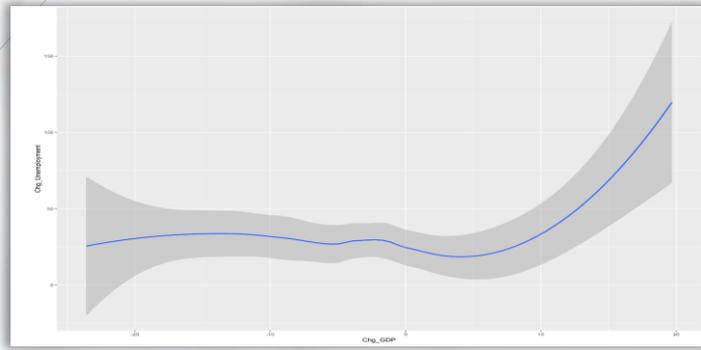
RESULTS:

- Mean loss in unemployment was 28.19 % and GDP, on average contracted by 4.02 %
- Health sector expenditure average was 0.92 % of GDP.
- Non-health sector and liquidity support averages were 4.37% and 4.72% respectively.
- Covid-19 cases averaged 1.76% of total populations.
- The EPLex values ranged from 0.15 to 0.64.
- The correlation analysis shows unemployment to be positively related to a GDP decline and Covid-19 cases.
- There was a negative correlation to liquidity support - meaning, the higher the liquidity support by government, lower was the unemployment.
- There was negative relation between unemployment and EPLex meaning countries - that had strong labour protecting laws - were able to reduce the incidence of unemployment during the pandemic phase.
- Liquidity support and EPLex had beta of -18.79 and - 0.153
- The rest predictors are positively related with outcome variable. However, none of them are statistically significant
- R square value is .425 or 42.5% and F = 3.63 at P <.05, suggesting model is statistically significant at the 5 percent level

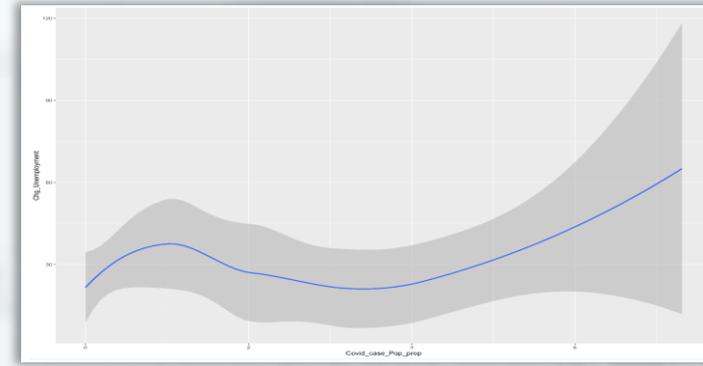
UNEMPLOYMENT BY REGION AND INCOME GROUP



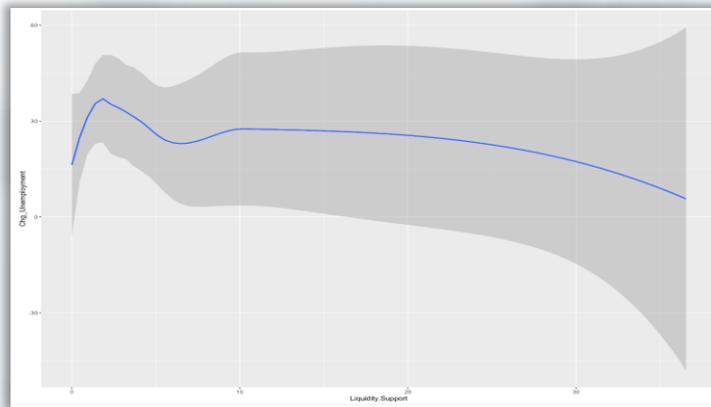
Unemployment and Loss in GDP



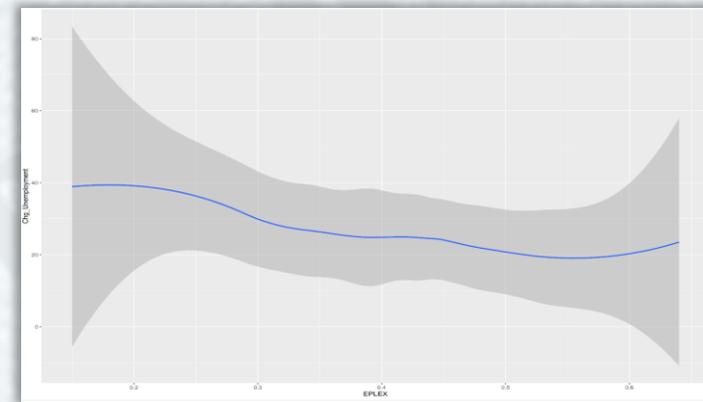
Unemployment and Covid-19 Cases



Unemployment and Liquidity Support



Unemployment and EPLex



Source: Regression Results

RECOVERY AND REFORMS

A. GENEROUS PUBLIC EXPENDITURE:

Loans to enterprises

- Defer tax payment options, Tax Exemptions ,Concessional loans,
- Germany : Solidarity Fund ; UK : VAT exemptions*
- USA : Disaster Relief Fund, Forgivable SS-loans,*
- Australia :Income tax Cuts*

Boost spending on infrastructure - transport, industries, education.

Emerging and developing nations should traits of UK, China, NZ, Germany for employment revival.

Support small and medium enterprises (SMEs) - which are struggling more with reduced demand and are facing cash crunches more than larger firms.

Ramp medical ecosystem and funds for frontline workers - high time to prioritise public expenditure towards health sector.

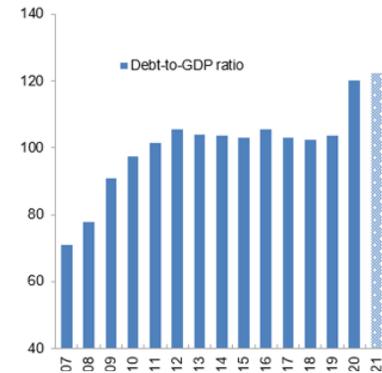
Boost investors' confidence

Employment revival

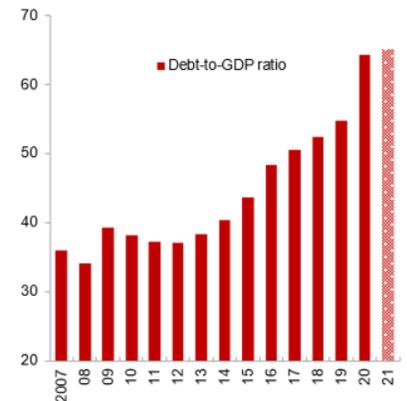
Revive distressed SME

Encourage the Sustainable Healthcare

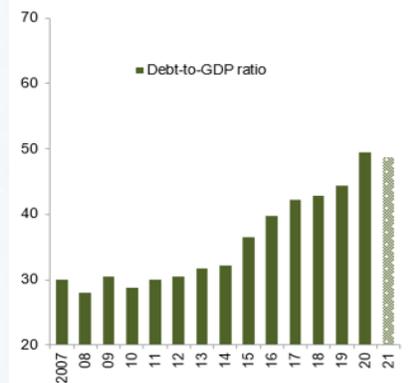
1. Advanced Economies



2. Emerging Market Economies



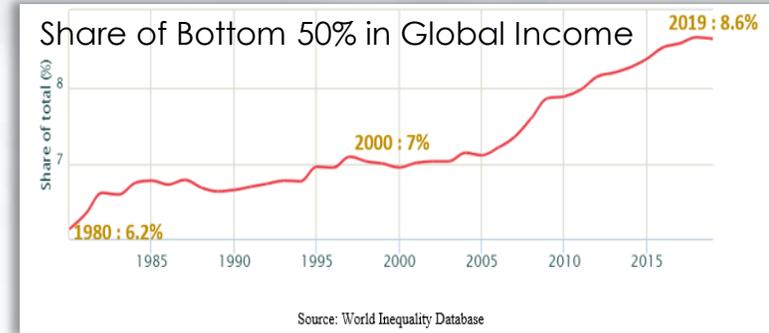
3. Low-Income Developing Countries



B. SOCIAL PROTECTION AND PROVISION FOR VULNERABLE

- Inclusion of **unemployment / employment insurance** as a key priority for labour market reform governments must ensure **minimal income and social security** for all its citizens.
- **Social Assistance** must be extended to those who are unable to work or earn low income.
- **Social Insurance** to those who work, but have no low social safety nets like insurance and benefits.
- Extension of social security to include self-employed workers, platform workers and independent workers, financially vulnerable groups like poor and young people etc.
- Amid the pandemic, the call for a “**Universal Basic Income**” has gained more support.

C. NARROWING INEQUALITY

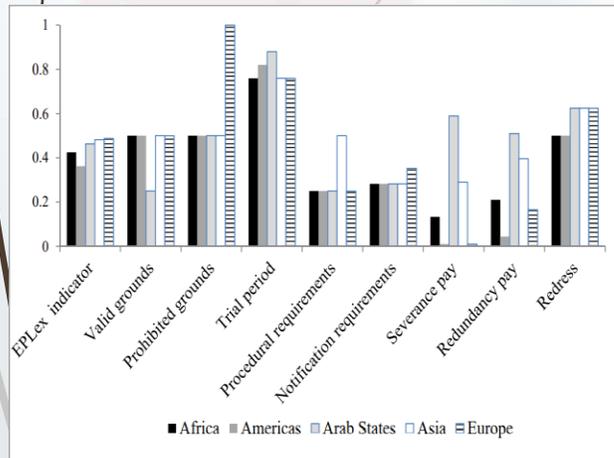


- It is time to implement the **Global Corporate Tax** - can enhance government income - at the G7 meeting in June 2021, 15% global tax rate was agreed upon.
- Digital economy accounts 15.5% of world GDP - pandemic a further catalyst to the digital ecosystem's growth. Many countries yet to implement **digital service taxes** .
- Rise in wealth inequality, voice to raise the **wealth tax** - Study suggest wealth of 400 richest Americans reached the equivalent of 18% of GDP in 2021.
- Limiting **tax evasion** is another way to enhance the tax base.

D. JOB PROTECTION AND PROMOTION

- An Active labour Market Policy (ALMP) - **retention in firm and for rehiring** - through wage subsidies, hiring subsidies, incentive to retain workers & job search assistance.
- ALMPs can offer **training** as a central part to help youth find quality jobs - Delaying training and upskilling apprentices for students can seriously impact this objective
- **Education** needs to be aligned the with changing labour market - pandemic has accelerated the change in learning models - time to reskill and upskill educational models.
- Share of wages in income is falling considerably – need of jobs with **low possibility of capital substitution** - like childcare, the health sector and elderly-care.
- Governments should encourage **start-ups through incentives**, like Africa's Youth Entrepreneurship Investment Bank proposal.

E. EMPLOYMENT PROTECTION AND REGULATION OF INFORMAL WORK



EPLex across World by Region

- Notification Requirements:** Termination of jobs should adhere to the practice of giving prior notice.
- Valid and Prohibited grounds for Termination:** Terminations should be made on valid grounds and not on discriminatory grounds.
- Trial Period and Procedural Requirements:** Workers are excluded from provisions of employment protection during probation - Limit or replace with Fixed Term Contracts.
- Severance and Redundancy Pay:** Workers get fair separation benefits by an employer---- unemployment insurance to cushion loss of income for short period.
- Redress:** Right to appeal against any unfair dismissal.

CONCLUSION

- **High growth rate** is desirable to compensate for losses on account of the slowdown.
- The pandemic's impact on **unemployment is dismal** and the recovery path will take a longer time.
- The unemployment rate **varies significantly across geographical region** but unemployment variation for countries - based on income divisions was insignificant.
- Unemployment is positively related with GDP contraction but has **strong negative relation to EPLex**. Public expenditures - **liquidity support measures**--have significant inverse relation to unemployment.
- It advocates substantial government interventions to retain, generate and maintain employment - via expenditures **in healthcare, social infrastructure, education** etc.
- Imminent need to focus on **labour policies , strengthen employment protection laws and social security provisions** - to cushion workers in event of future economic downturns and unforeseen calamities.



Thank You

