

► Policy Brief

September 2020

National employment policies for an inclusive, job-rich recovery from the COVID-19 crisis

Key points

- ▶ The COVID-19 crisis has **severely impacted employment around the world**, especially in hard-hit sectors and among certain groups, including women and youth.
- ▶ To promote an inclusive, job-rich recovery from the COVID-19 crisis, **countries need a bold and innovative employment-focused policy agenda. In this context, gender-responsive national employment policies can play an important role** but will need to be adapted in terms of both existing policy frameworks and the formulation of new recovery strategies. The type of adaptation also depends critically on the situation in the country (e.g. current policy frameworks, fiscal space, institutional capacity, etc.). In light of the evolving and complex nature of the crisis, three key policy dimensions can be identified:
 - **Due to the heightened uncertainty, policymakers will need to adapt their employment policy approach by:** strengthening data collection, assessments and analytical approaches; following more agile public policy processes; and engaging in regular social dialogue with employer and worker organizations.
 - **Drawing on the latest data and analysis, along with social dialogue, employment policy measures need to be sequenced and revised in line with the evolution of the crisis** across a number of areas, including: macroeconomic policies; sectoral strategies and business support; social protection and income support; employment services, ALMPs and labour market institutions; and skills development.
 - **Specific measures targeting hard-hit sectors and groups (e.g. women, young people), especially for those in the informal economy**, are required during the reactivation and recovery phases, along with identifying opportunities in new sectors with employment potential, which can benefit these groups.
- ▶ The **intersection of the COVID-19 crisis and the ongoing future of work trends** due, in particular, to technological progress, demographic shifts and climate change, will shape the key national employment policy priorities over the coming years. By taking a human-centred approach, the **ILO Centenary Declaration for the Future of Work provides guidance on shaping a new generation of national employment policies**, which link the COVID-19 crisis response and the longer-term goal of moving towards a better future of work.

► The COVID-19 crisis comes on top of longer-term employment challenges

Despite some progress in recent decades, countries around the world were facing **a range of persistent labour market challenges when the COVID-19 crisis hit**, such as high levels of informality, stagnant or falling productivity growth rates, labour market inequalities and gender disparities. On top of these challenges, policymakers were confronted with **rapid changes in the labour market through different drivers of the future of work**, including the spread of global supply chains, technological progress, climate change and demographic trends.

Against this backdrop, the **COVID-19 crisis has become, in a matter of months, the most severe economic and labour market downturn since the Second World War**. To control the spread of the disease, nearly all countries have implemented containment measures, including lockdowns, physical distancing and border closures.

As reported in the [6th ILO Monitor](#) released on 23 September 2020, the vast **majority of the world's workers (94 per cent) continue to be affected by some sort of workplace closure measures**, despite the relaxation of controls in many countries in recent weeks, particularly in low-income economies.

These measures have precipitated a sharp decline in both **demand (consumption and investment) and the supply of goods and services** (figure 1). The **supply shock** has been driven by the lockdown and containment measures, which have subsequently prevented businesses from operating, particularly in sectors that require face-to-face interaction with customers (e.g. retail, accommodation and food services). Disruption in these sectors has led to a decline in demand for goods and services produced by other sectors (through forward and backward linkages).¹ On the **demand-side**, containment measures, have significantly curtailed consumption of many goods and services, especially in restaurants, cinemas, retail outlets,

etc. The demand shock is amplified by job and incomes losses, which further dampen consumption.

In addition to the demand and supply shocks, the **uncertainty of how the pandemic will evolve and how a health response will be developed (i.e. vaccine)** has translated into a heightened level of uncertainty in the economy. A number of forward-looking indicators of economic uncertainty have increased substantially since the onset of the crisis.² This is also evident in the uncertainty over GDP forecasts and the subsequent revisions made at very short intervals (e.g. the downgrading of the global GDP forecast for 2020 by the IMF from -3.0 per cent in April 2020 to -4.9 per cent in June 2020). Uncertainty has a detrimental impact on consumption as households delay purchases (and increase their propensity to save), along with reducing investment and hiring of workers by firms. This additional effect of uncertainty prolongs the crisis and makes policymaking much more challenging.

In an interconnected world, these shocks are not only confined to domestic economies but have also been transmitted across borders, leading to **disruptions in global trade, capital flows, tourism, along with migration and remittances**, which have additional multiplier effects that are especially detrimental to low and middle-income countries.

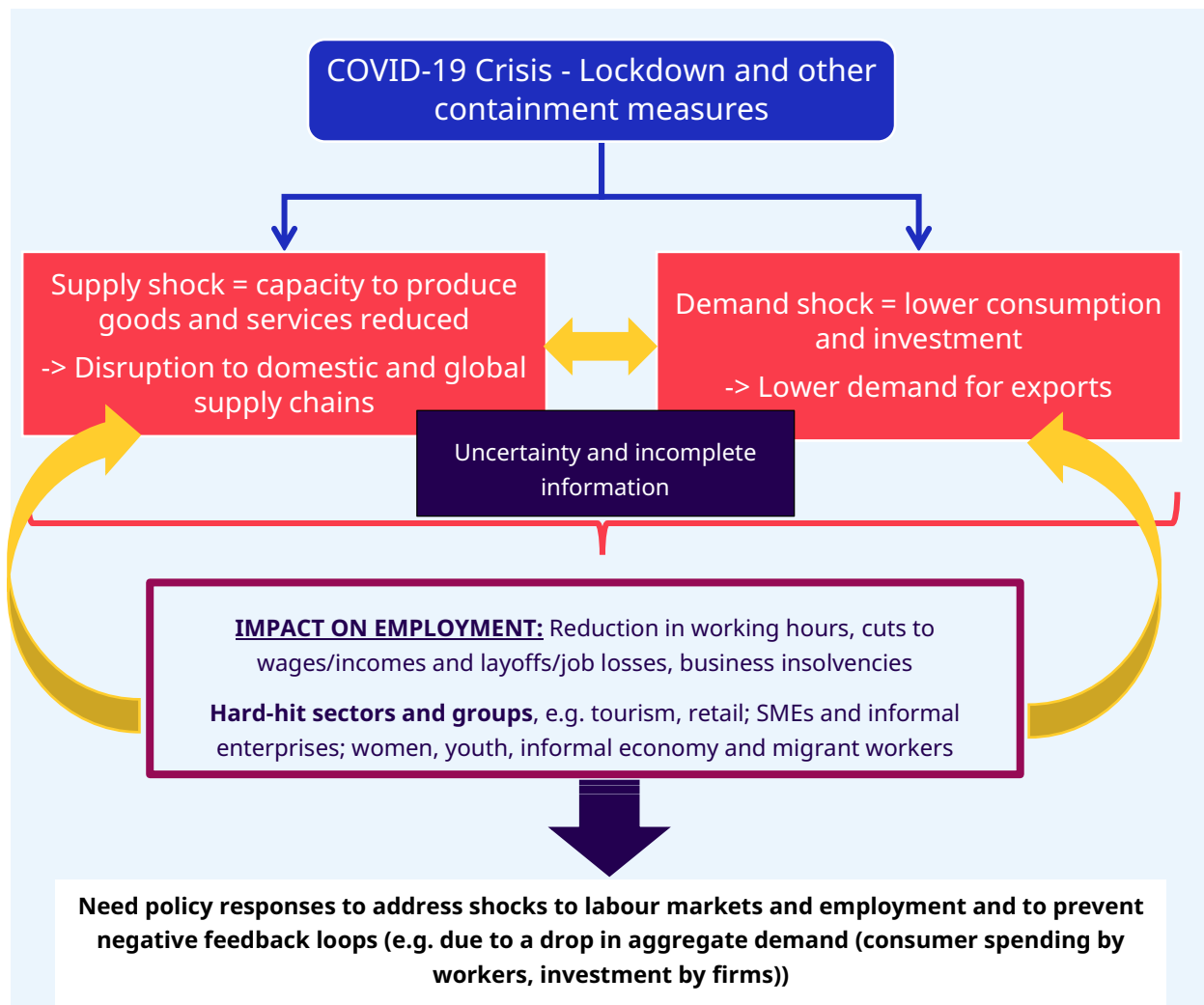
No country has escaped the economic impact: the share of countries expected to be in recession in 2020 is estimated to be more than 90 per cent, the greatest global synchronization of a decline in output since 1870.³

¹ See, for example, the impact of supply disruptions to manufacturing, ILO, 2020, "[COVID-19 and global supply chains: How the jobs crisis propagates across borders](#)", ILO Brief.

² See, for example, Altig, D.E. et al., 2020. "[Economic uncertainty in the wake of the COVID-19 pandemic](#)", VoxEU.org, 24 July 2020, and Baker, S. et al., 2020. "[COVID-induced economic uncertainty and its consequences](#)", VoxEU.org, 13 April 2020.

³ Source: <https://blogs.worldbank.org/opendata/understanding-depth-2020-global-recession-5-charts>.

► **Figure 1. The COVID-19 health crisis has led to both demand and supply shocks to the economy impacting employment around the world**



As a result of these multiple shocks and prevailing uncertainty, **labour markets have been severely impacted**. According to the [latest ILO estimates](#), there was a **17.3 per cent drop in global working hours during the second quarter of 2020 (compared with the fourth quarter of 2019)**, which is equivalent to **495 million full-time jobs** (based on a 48-hour working week). Workers in **service sectors**, such as accommodation and food services, as well as retail trade, have been especially at risk of job losses. Two billion people – or more than 61 per cent of the world’s employed population – make their living in the informal economy. These [informal workers](#) are **particularly vulnerable to severe income losses** during this crisis. Analysis of the most recent labour force data confirm

that **women and youth** have been amongst those who have been hit hardest by the COVID-19 crisis.

As part of the emergency response to the crisis, policymakers are using **large, and often unprecedented, monetary and fiscal policy interventions to support the public health measures, while seeking to stop economies from collapsing**. Significant resources have been allocated to job retention schemes, which have kept workers in jobs. Social protection schemes have been extended in duration and coverage. However, **gaps in allocation of resources and implementation of measures** are key challenges, especially in low- and middle-income economies.

Beyond the response to the initial crisis phase, **policy responses will have to evolve over time and geographically** (e.g. due to imposition of new partial lockdowns as the virus case increase again as witnessed over recent weeks). While continuing to balance the twin goals of public health measures and economic and employment policy responses, policymakers will **have to adapt policy focus and resource allocation as the situation changes**. For example, once economies have reopened, stimulus measures become much more suited to increasing aggregate demand, which would, in turn, support a job-rich recovery.

In summary, **policy measures need to be sequenced depending on the country-specific context**. At the same time, policymakers will need to address the

potential for longer-term changes in economic structure and the task of shifting of resources to new sectors if necessary.

To address these policy dimensions, **comprehensive national employment policies, covering both the demand and supply-side, are relevant to the current crisis situation**. The ILO's approach to national employment policies, which is based on the [ILO Employment Policy Convention, 1964 \(No. 122\)](#), brings together the ministry of labour and other government ministries, representatives of employers and workers and other stakeholders to address key employment objectives through public policy measures.

► What are national employment policies?

Global mandates and frameworks for national employment policies

Over the last few decades, policymakers around the world are increasingly **recognizing employment as a critical economic and social public policy objective**. The global financial crisis in 2008-9, and the subsequent jobs crisis, brought the challenges of unemployment and underemployment to the front and centre of government's priorities.

To support such efforts, the ILO is mandated to promote "**full, productive, and freely chosen employment**" based on a number of principles enshrined in the *Employment Policy Convention, 1964 (No. 122)*⁴, which calls upon States to declare and pursue an active policy designed to promote full and productive employment as a major goal while taking into account the stage and level of economic development and the mutual relationships between employment objectives and other economic and social objectives, as well as national circumstances.

Convention 122 encapsulates **three guiding principles for formulating an employment policy**:

► **Quantity**: Work for everyone who is available and looking for work

► **Quality**: Such work is as productive as possible

► **Non-discrimination**: There is freedom of choice of employment and fullest possibility for each worker to utilize his/her skills, irrespective of race, gender, age, religion, political opinion, nationality or social origin.

In 2014, the [International Labour Conference \(ILC\)](#), reiterated the need for **comprehensive employment policy frameworks based on tripartite consultations** covering macro, meso and micro policy areas relevant to a country's employment priorities.

At its 104th Session (2015), the ILC adopted the **Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204)**, which provides guidance on facilitating the transition to the formal economy, promoting creation of jobs in the formal economy and protect formal jobs from informalization.

In practice, the ILO has supported member States for many decades in the **design, implementation, revision and monitoring of national employment policies**, which focus on a range of policy areas from monetary and fiscal policies, sectoral and industrial strategies (including trade and investment policies), skills development, to employment services and active labour market programmes. Linkages with social

⁴ 113 ratifications as of July 2020, https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C122.

protection, OSH, labour institutions, rights at work and other policy areas are also critical.

In broad terms, NEPs can be defined as:

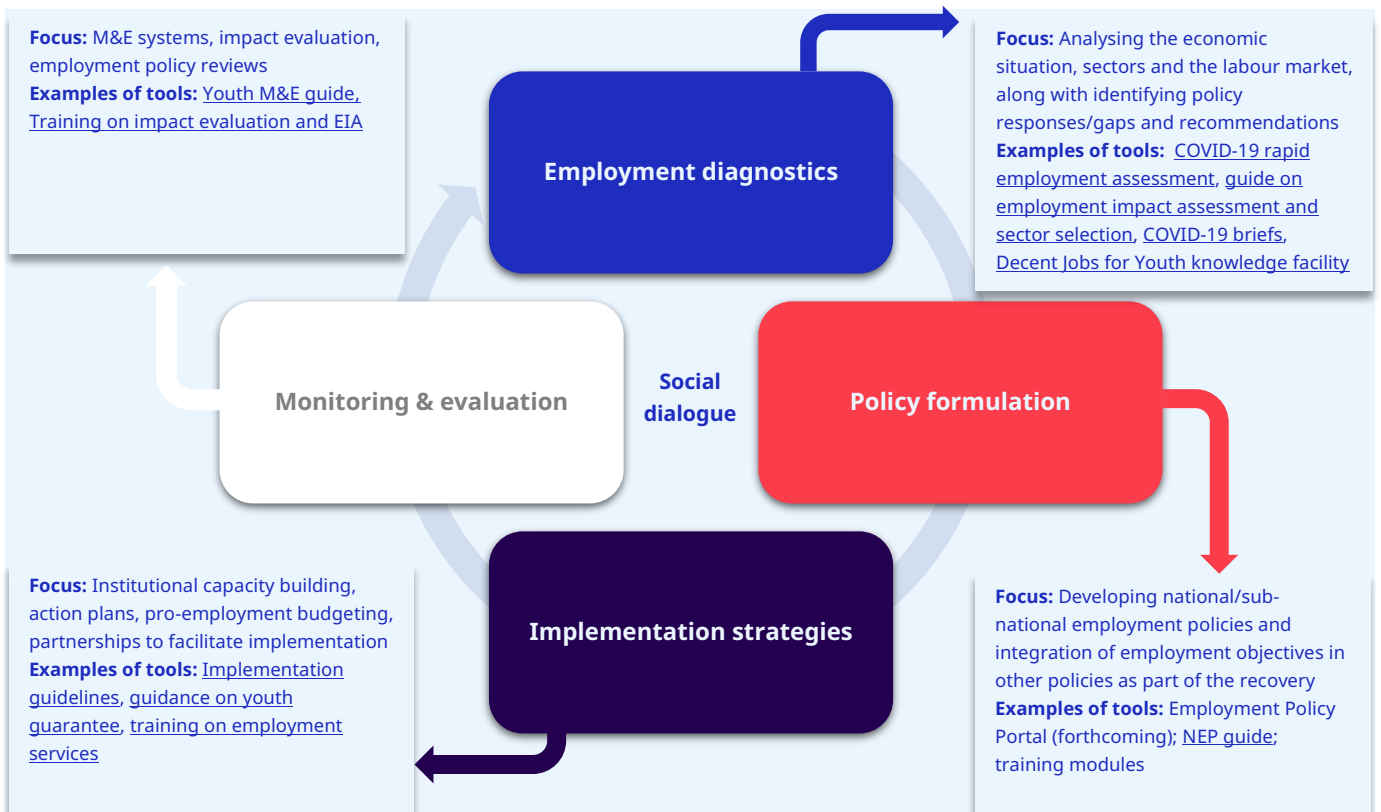
- ... a policy approach for **achieving a country's employment goals**, covering both quantity and quality dimensions, addressing both the demand and supply side of the labour market, along with matching of the two,
- ...which brings together **government**, including not only ministries of labour and employment, but also finance, planning, and other government agencies, along with **representatives of workers and employers** and other relevant stakeholders, to formulate and implement policies with explicit employment objectives,
- ... which **comes in different forms depending on the country situation**, including standalone, comprehensive national policy documents and the integration of employment objectives in

national/regional development plans, and in other national policies and strategies, backed up by implementation mechanisms (see, box 1, for some examples).

► **Box 1. Examples of different types of NEPs**

- **Standalone, comprehensive policies:** Over the decade 2000-2010, 17 countries adopted a standalone NEP, while 49 countries did so over 2011-2020. Examples include: Armenia, China, Costa Rica, El Salvador, Ethiopia, Jordan, Malawi, Morocco, Nepal, Northern Macedonia, Paraguay, Republic of Korea, Serbia, and Sri Lanka.
- **Integration of employment objectives in national development plans/strategies:** Examples include: Bolivia, Cameroon, Ecuador, Egypt, Grenada, Indonesia, Jamaica, South Africa, Trinidad and Tobago, Uganda, Ukraine and Viet Nam.

► **Figure 2. National employment policy cycle – a framework for responding to the COVID-19 crisis**



The ILO supports NEPs over the policy cycle (figure 2) through its network of specialists in HQ, regional, sub-regional and country offices who support employment diagnostics and related research, and policy processes.

Social dialogue and investing in capacity building are central to these efforts.

Insights on formulating and implementing NEPs from country-level support

As at July 2020, 65 countries around the world have adopted a standalone, comprehensive NEP with ILO support, while 18 are in the process of doing so.⁵ Over the decade 2000-2010, 17 countries adopted a NEP, but over the decade 2011-2020, 49 countries did so, an almost threefold increase. Between 2002 and 2010, most of the adopting countries were African low-income countries. Since 2011, 26 are low-income countries, 41 are middle-income countries and 6 are high-income countries. Of the 65 countries which have adopted a comprehensive employment policy, 26 countries have moved onto developing second and third (and even more) generation of such policies strengthening their effectiveness and impact.

Based on these experiences, a number of key insights can be emphasized:

- **NEPs can be a successful entry point to respond to crises.** An impetus for NEP adoption in many countries was the global financial crisis of 2008-9, which accentuated many existing employment challenges. Of the 65 countries that currently have an employment policy, 58 initiated the process from 2008 onwards. Countries that have experienced internal crises, such as Central African Republic, Côte d'Ivoire, Liberia, Mali, Moldova, Northern Macedonia, Serbia, and Tunisia, have viewed employment policies as a key way of promoting post-conflict peace, as well as economic and social development. In some countries, NEPs under formulation with the support of ILO are already being **adapted to focus on COVID responses (e.g. Armenia, Ethiopia, Paraguay, South Africa and Tunisia).**
- **NEPs can act as a framework to address new employment challenges, including future of work**

trends. The latest generation of NEPs increasingly cover demand-side issues, including macroeconomic, sectoral, industrial and trade policies, which target boosting aggregate demand (consumption, investment, government spending, and exports) to create jobs. Specific sectors with employment potential are also addressed in recent policy approaches (e.g. health sector), while future of work issues feature more prominently in the latest policies. For example, between 2012 and 2017, a dozen countries adopted a NEP with a clear environmental dimension (e.g. China, Namibia and Barbados), compared with almost none before that period.

- **Successful NEPs have involved a broader set of strategic actors and leadership at the highest levels.** Including other actors beyond ministries in charge of labour and employment and social partners into policy processes has encouraged better ownership and shared responsibility of employment policies and a stronger focus on demand-side dimensions. In Costa Rica, China, Republic of Korea, Cameroun and Panama, for instance, the ministry of employment led the formulation process in close collaboration with the ministries of economy and finance. ILO's support has also helped extend policy discussions to other key institutions, such as central banks (e.g. China, Jordan, Republic of Korea, North Macedonia, and Sri Lanka). Some NEP processes also are opening up opportunities for citizens' voices, especially those of youth and other groups. Bringing in private sector representatives have helped in improving the relevance of policies. By associating with different partners, new employment policy platforms have emerged, such as inter-ministerial committees. **In some countries, these policy spaces are chaired by the highest level of government to strengthen multi-sectoral action on employment,** such as in Ethiopia which established the Jobs Creation Committee. These platforms are important entry points to discuss, develop and monitor COVID-19 policy responses.
- **Implementation of policies needs to be prioritized.** Beyond participatory processes ensuring shared ownership, ILO's approach to NEPs increasingly focuses on the effective delivery of

⁵ Source: Based on a sample of 127 countries. See ILO. *Two decades experience of national employment policies*, forthcoming.

employment solutions. Some of the key implementation areas include:

- Regionalization (sub-national) of employment strategies (e.g. Argentina, Brazil and Morocco).
- Legislation through employment laws (e.g. China, Republic of Korea, Viet Nam, Paraguay) and other processes to improve accountability.
- Capacity building in terms of training activities, as well as tools and guidelines, to promote sustainable institutional change.
- Ensuring that budget allocations are employment focused (e.g. pro-employment budgeting in the Republic of Korea).
- Supporting labour market information systems and methodologies to monitor and evaluate NEPs.

Overall, it should be stressed that the approach to national employment policies **is not about one-off analytical exercises or the adoption of single documents**. Rather, it is about a public policy process that seeks to address key employment objectives through an evidence-based approach and social dialogue. The type of policy response is **not an arbitrary decision and should be based on the country's economic and labour market situation (and the associated policy priorities)**, along with the level of capacity and commitment to formulate, adopt and implement such a policy. The COVID-19 crisis calls for further adaptation due to some of the specific characteristics of the pandemic and ensuing economic downturn.

► Adapting national employment policies to the COVID-19 crisis

Responding to the COVID-19 crisis requires **adapting national employment policy responses to deal with the country-specific features of the crisis**. The type of adaptation depends, therefore, on the country context in terms of income level, fiscal space, economic and labour market structure, along with other pre-crisis factors. Ultimately, a country needs to be able to finance and have the institutional capacity to implement measures if they are to be effective. In light of the evolving nature of the crisis, three key dimensions can, nonetheless, be identified:

- **Sequencing of COVID-19 policy responses** as the virus and crisis evolves, which requires **balancing the twin goals of mitigating the health effects and the economic impact** of the pandemic.
- **Targeting sectors and groups hard hit by the crisis**, such as women (who are also at the frontline of the pandemic as health and care workers), youth, migrant and seasonal workers, along with SMEs and informal economy businesses and workers.⁶

- Responding to the **heightened level of uncertainty** and limited amount of real-time economic and labour market information and **promoting dialogue during a crisis** that involves social partners and other stakeholders in a constructive and consistent manner as part of the crisis-response in order to identify the most appropriate policy responses.

Sequencing COVID-19 employment policy responses

In response to the COVID-19 crisis, the ILO has called for immediate support to **enterprises and workers across the four pillars**: 1) stimulating the economy and employment; 2) supporting enterprises, jobs and incomes; 3) protecting workers in the workplace; and 4) relying on social dialogue for solutions.

Building a sequential view based on this policy framework, **different phases can be identified** (table 1):

⁶ These groups have been highlighted based on available empirical evidence – see, for example, the various editions of the [ILO Monitor](#). At the same time, there are other groups that should be considered though there is not necessarily up-to-date quantitative evidence of the impact on them, such as persons with disabilities and domestic workers. Specific groups need to be identified at the country level through data, analysis and social dialogue.

- **Immediate response to the health crisis** through health and lockdown measures, backed by financial and income support.
- **Reactivating the economy and getting people back to work** with some protection measures in place.
- **Promoting a job-rich recovery** in line with a longer-term vision of a better future of work.

Responses during the immediate phase of the crisis

During the **lockdown phase**, the overwhelming economic policy priority has been to **provide emergency financial support to enterprises and income transfers to households** to ensure their survival and to stop the economy and jobs from collapsing (to “shield” economies⁷). Countries have injected substantial resources during recent months, often at levels far exceeding the support provided during the global financial crisis.⁸

Countries have made **extensive use of fiscal and monetary policy tools**, which has required both innovation and flexibility (e.g. in terms of fiscal rules and interventions of central banks). Figures on stimulus packages reveal that, by the end of June 2020, over 90 countries had introduced or announced fiscal measures totalling around US\$11 trillion, representing approximately 10 per cent of global GDP, while a similar number have cut interest rates following the outbreak.⁹

According to ILO’s analysis of COVID-19 fiscal stimulus allocations, these **packages appear to be successful in limiting working-hour losses**. In fact, estimates indicate that, on average, an increase in fiscal stimulus of 1 per cent of annual GDP would have reduced working-hour losses by 0.8 percentage points in the second quarter of 2020.¹⁰

However, advanced economies account for the vast majority of the global fiscal stimulus, while **low- and lower-middle-income countries represent less than just 3 per of the total stimulus around the world**. The estimated fiscal stimulus gap is around US\$982 billion in low-income and lower-middle-income countries (US\$45 billion and US\$937 billion, respectively).¹¹ Strengthening international cooperation to provide predictable and sustainable access to finance to emerging and developing countries is, therefore, critical.

Income support, including unemployment benefits, for workers and households has been large and rapid in many countries. According to ILO’s estimates¹², a total of 208 countries and territories had announced (as at 12 August, 2020) 1,364 social protection measures in various policy areas, including measures for health and income protection, unemployment protection and job protection. Many countries have extended measures to those not normally covered by formal schemes (e.g. self-employment, platform workers), along with payments to those operating in the informal economy.

To address the supply side shock, measures have been used to **support businesses cope with containment, including liquidity provisions and subsidies**. In this regard, **job retention schemes have played a critical role in helping employers keep workers in jobs** (through short-time work schemes and wage subsidies). By May 2020, 50 million workers were covered in OECD countries by such measures, 10 times the level reached during the global financial crisis.¹³ The German Kurzarbeit scheme, which had successfully helped the manufacturing sector in Germany cope with the global financial crisis, has been simplified and extended (to agency workers and in terms of duration, which is now currently at 24 months) during the COVID-19 crisis. The number of workers covered by Kurzarbeit reached around 6 million in April 2020, up from just under

⁷ Baldwin, R., 2020, [The supply side matters: Guns versus butter, COVID-style](#), VoxEU.org, 22 March 2020.

⁸ See, for example, IMF, 2020, [Fiscal Monitor, April 2020: Chapter 1: Policies to Support People during the COVID-19 Pandemic](#), IMF, Washington, D.C.

⁹ ILO, 2020, [ILO Monitor: COVID-19 and the World of Work – Fifth Edition](#), 30 June 2020.

¹⁰ [6th ILO Monitor](#).

¹¹ This gap represents the amount of resources that these countries would need to match the average level of stimulus relative to working-hour losses in high-income countries. See the [6th ILO Monitor](#).

¹² [ILO Social Protection Monitor](#).

¹³ OECD, 2020. [Job retention schemes during the COVID-19 lockdown and beyond](#).

45,000 in the year before (and a peak of 1.4 million in 2009 during the GFC).¹⁴

During the immediate phase, **public employment services (PES) have had to adapt rapidly to the restrictions on physical distancing**. According to a survey done by the ILO¹⁵ in collaboration with the World Association of Public Employment Services (WAPES), the European Commission, the Inter-American Development Bank and Socieux+, PES adopted different measures to cope with the conflicting need for closing facilities and scaling up some services. In Iceland and Switzerland, for example, staff who normally performed counselling and recruitment tasks were shifted to the processing of unemployment benefit claims. PES with the necessary ICT-based infrastructure relied heavily on digital and telephone services to help jobseekers and other clients. In India and Uruguay, the PES encouraged registration of jobseekers and job advertisements through their online job portals, which also provided access to online training and job fairs. Moreover, in many advanced countries, PES were at the forefront of implementing job retention schemes, facilitating reallocation of workers to recruiting sectors and keeping them attached to the labour market through online skills development programmes.

Though policymakers have been ready to use policy measures during the COVID-19 crisis at an often unprecedented scale, **challenges remain in terms of implementation and support for certain groups**. A key challenge is financing: as highlighted in the [6th ILO Monitor](#), low- and lower-middle-income economies have not been able to allocate the same level of resources as evident in richer countries. To address this situation will require **international solidarity in terms of financing the fiscal gap and technical assistance to support implementation**.

Over the medium to longer-term, national employment policies can play an important role in connecting the immediate crisis to the recovery efforts and move towards a more inclusive, sustainable and resilient labour market.

Reactivating the economy and fostering an inclusive, job-rich recovery

As some containment measures have been relaxed, many countries now have embarked on the **return to work and opening up of workplaces**. However, given that many measures remain in place (some have been reinstated in response to the resurgence of the pandemic), **the transition from the crisis response to recovery is not a linear process** but one that will involve many changes and adaptations in line with the evolving nature of the pandemic and associated economic and jobs crisis.

However, the ability to maintain responses during these phases depends critically on the availability of fiscal resources and technical capacities, which is a key challenge in low- and middle-income countries. For this reason, **realistic policy responses for opening up and promoting an employment recovery should be identified and prioritized in these countries**, based on social dialogue and empirical evidence, with necessary support through development finance and technical assistance.

An overriding priority during the opening up and recovery phases is to **ensure the safety of workers in the workplace**. **Health measures, including testing and tracing, will continue to be critical** during the recovery phase. OSH measures in the workplace need to be maintained to protect workers, especially those at the frontline. Given the ongoing importance of telework, where feasible, policymakers need to address regulatory and infrastructure gaps. Paid sick leave remains important, including the extraordinary payments made during the immediate phase of the crisis.

Beyond health measures, policymakers, supported by social partners, need a **policy agenda for placing employment at the centre of reactivation and recovery measures**, covering various policy domains, depending on the country situation, including: macroeconomic policies; sectoral strategies and business support; social protection and income

¹⁴ Source: [Bundesministerium für Arbeit und Soziales](#).

¹⁵ ILO, 2020. "[COVID-19: Public employment services and labour market policy responses](#)", ILO Brief.

support; PES, ALMPs and labour market institutions; and skills development.

Stimulus measures through monetary and fiscal policies remain critical during the return to work phase given the vulnerability of economies. In this phase, the stimulus will need to increasingly switch from keeping economies from collapsing to getting them started, which means using public expenditure to boost domestic demand by increasing consumption and investment. Increasing domestic demand will need to be **matched by measures to improve supply (e.g. overcoming disruptions to supply chains)** to ensure that the stimulus is translated into greater domestic demand (and not only more imports).

A key lesson from the global financial crisis is that policymakers **should not prematurely withdraw stimulus packages**, which is even more important in this crisis because of the continuing uncertainty and reversals in progress battling the pandemic.

However, as noted above, **low- and middle-income countries lack the necessary fiscal space to provide and maintain stimulus** at the levels witnessed in advanced economies. For this reason, international support is critical to help these countries identify and secure different financing options, including debt relief and concessional development finance. The most effective policy response will take into account these constraints and country-specific factors, leading to the identification of the most relevant measures given the situation in the economy (e.g. ensuring that income support also reaches businesses and workers the informal economy).

As economies open up, **support to businesses and workers** through subsidies and social protection transfers need to be maintained to avoid bankruptcies and further income losses, particularly for those hardest hit by the crisis. As countries move to the recovery phase, these forms of support may need to be adapted in terms of coverage, scope and targeting.¹⁶ For example, with partial containment measures, greater resources may be needed for specific regions or sectors, which are still feeling the effects of lockdown (while other regions or sectors are able to open up).

Businesses, especially MSMEs, need support on adapting to a challenging business environment.

Those operating in the informal economy face the greatest challenges and need not only financial assistance but also technical support (e.g. targeted business development services) to help adjustment and make the transition to the formal economy.

A complex challenge for policymakers is deciding on how to use stimulus packages and the specific support measures across sectors. Drawing on ongoing analysis of the economy and labour, along with social dialogue, policymakers will need to carefully balance **the goal of supporting existing businesses and jobs with the need to facilitate the reallocation of resources to growing sectors** with strong employment potential.

With the opening up of economies, **public employment services will need to further adapt their approach, balancing their crisis response with a return to activation strategies and support to jobseekers**. Given the massive scale of the employment challenge, employment services will play a critical role over the coming years, but this will require further modernization and upscaling of services, including through digitalization, strengthening and institutionalization of partnerships.

Active labour market programmes (ALMPs), such as job search assistance, career guidance, training, entrepreneurship and self-support, wage and hiring subsidies and public employment programmes, will need to be expanded and strengthened, based on the specific needs arising from the COVID-19 crisis. In the case of ongoing requirements for physical distancing, modified services will still be needed, such as the provision of digital services.

As it is with all policy areas, it is important to **take stock of the evidence on the effectiveness of such policies**, which, in the case of ALMPs, is quite well established.¹⁷ At the same time, monitoring of the crisis and policy implementation is crucial to identify whether measures are achieving their goals and whether it is necessary to adapt the approach in light of the evolving crisis.

¹⁶ For example, to avoid inefficiencies, such as deadweight losses (i.e. subsidies for enterprises who didn't need them).

¹⁷ See, for example, ILO's [impact research on youth employment, evidence on ALMPs and income support](#), and other research studies, such as Kluve, J., 2016, [A review of the effectiveness of Active Labour Market Programmes with a focus on Latin America and the Caribbean](#), ILO Research Working Paper No. 9.

► **Table 1. Sequencing policy responses towards a job-rich recovery from the COVID-19 crisis: suggested policy measures across different phases**

Policy area	Phase 1: Lockdown	Phase 2: Return to work	Phase 3: Recovery
MAIN OBJECTIVE	<i>Containing the pandemic, protecting workers, and supporting jobs and enterprises</i>	<i>Opening up workplaces and restarting economic activity</i>	<i>Fostering an inclusive, job-rich recovery and moving towards a better future of work and resilience</i>
TIMEFRAME	<i>Since January 2020</i>	<i>Short to medium term</i>	<i>Over the medium to long term (next 2+ years)</i>
Health	<ul style="list-style-type: none"> • Containment measures • Tele-work, OSH measures • Testing and tracing (T&T) 	<ul style="list-style-type: none"> • Modified containment measures where necessary (more targeted approach) • Continuing tele-work where appropriate, OSH measures, especially for workers who are at risk of acquiring the virus in their jobs • T&T including in the workplace 	<ul style="list-style-type: none"> • Continue measures, including T&T (until a vaccine is developed) • Improve access to health care for all workers and their families
Macroeconomic policies and stimulus	<ul style="list-style-type: none"> • Accommodative fiscal and monetary policy to mitigate the economic damage and prevent economic and financial collapse 	<ul style="list-style-type: none"> • Continue stimulus to the economy to support the return to work, especially for parts of the economy still prevented from fully operating • For parts of the economy that open for business, measures can be redirected to stimulate consumption and investment • International support to LICs and MICs via debt relief, concessional finance, access to special drawing rights (SDRs), and a stable international financial environment 	<ul style="list-style-type: none"> • Maintain stimulus to the economy to boost economic recovery, avoiding premature fiscal consolidation (which is particularly damaging to women and vulnerable groups), while supporting the shift to growing sectors with strong employment potential • Reallocate public spending, improve its efficiency, broaden the tax base and enhance fiscal space in LICs and MICS

<p>Sectoral policies and support to businesses</p>	<ul style="list-style-type: none"> • Financial/liquidity support to all sectors (e.g. subsidies) and/or targeting most-affected sectors (e.g. tourism) • Introduce/expand job retention schemes • Support for adapting to e-commerce in businesses 	<ul style="list-style-type: none"> • Continued support for badly-affected sectors, along with the identification of sectors with the employment potential • Maintain/adapt job retention schemes, particularly for sectors still affected by containment (e.g. accommodation and food services, travel). • Review business environment and its impact on productivity, jobs and skill requirements in enterprises • Provide assistance to MSMEs, including liquidity support and business continuity measures • Financial and technical support for the informal economy to reactivate • Entrepreneurship training and business coaching to support adaptation 	<ul style="list-style-type: none"> • Support new and growing sectors in line with long-term policy objectives (e.g. shift to green technologies, digital economy) with a focus on women's and youth employment • Invest in the care economy to create jobs and address gender inequalities • Strengthen measures for MSMEs, including business development services to improve productivity and working conditions, especially for those in the informal economy • Hiring subsidies, where appropriate, to support the recruitment of jobless, especially those hard hit by the crisis (youth, women)
<p>Income support for workers and households</p>	<ul style="list-style-type: none"> • Extend and expand social protection, including unemployment benefits and other transfers to protect all workers • Provide paid sick and care leave, including extraordinary payments 	<ul style="list-style-type: none"> • Maintain support, including exceptional measures, to protect incomes and consumption, particularly for the hardest hit and groups not covered by formal systems 	<ul style="list-style-type: none"> • Strengthen and extend social protection systems (in terms of benefits as well as target groups) • Maintain exceptional measures if necessary (e.g. to support increase consumption)

<p>ALMPs, PES and labour market institutions</p>	<ul style="list-style-type: none"> • Suspension of job search requirements/sanctioning • Shift to online employment services • Integrate income support for workers and online employment services • Subsidies for short-time working arrangements • Better protection through strengthening of dismissal regulations 	<ul style="list-style-type: none"> • Maintain online employment services where relevant and feasible along with re-engaging on face-to-face services • Review and strengthen the employment services multi-channelling strategy in view of the lessons learnt • Design integrated ALMP + social protection programmes to support return to work • Provide enhanced employment services to jobless and those most impacted by the crisis • Continue wage subsidies to help keep workers in jobs in hard-hit sectors • Utilize public employment programmes to support jobless and underemployed, including in the green economy • Explore innovative ways of financing ALMPs for recovery 	<ul style="list-style-type: none"> • Strengthen and modernize employment services (mediation and job search assistance scaled up), including investing in online services, particularly in developing and emerging countries • Strengthen the design and financing of ALMPs, referral systems and coordination across institutions as well as integration with social protection systems • Target groups/types of enterprises hardest hit by the crisis • Revise wage policies and employment protection to address inequalities and disparities for certain types of workers • Strengthen care, leave, and tele-work policies and regulations • Utilize employment-intensive investment and public employment programmes to create both jobs, including in new sectors, such as in the green economy • Develop fairer and broader coverage of labour market institutions, including minimum wages and employment protection legislation to strengthen workers' rights independent of employment status
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<p>Skills development</p>	<ul style="list-style-type: none"> • Shift to online learning and implementation of exceptional measures to minimize disruptions to technical and vocational education and training and work-based learning • Training and resources for teachers and trainers to shift to on-line delivery and learner support • Additional support measures to ensure continued participation of vulnerable learners and students with disabilities • Short-term training and re-training for emergency medical and support response • Targeted wage subsidy and training support for apprentices to maintain employment link 	<ul style="list-style-type: none"> • Identify current job opportunities and key skills gaps under current demand conditions, in line with reopening of workplaces, including digital skills • Strengthen skills programmes to support jobseekers, including work-based learning, and workers (on-the-job training) • Increased deployment of on-line training and simulation-based training to complement limited physical training • Review assessment and certification schedules and models • Consider incentives to revive workplace based training and apprenticeships 	<ul style="list-style-type: none"> • Reshape skills development systems in line with lifelong learning goals and post-COVID-19 labour demand, supported by more equal access to digital skills • Transform delivery and assessment models to increase blended learning options • Reform assessment and certification systems to recognise micro and digital credentials • Strengthen dual learning to facilitate the school-to-work transition
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PES and ALMPs also have an important role to **facilitate the movement of jobseekers and workers to new sectors**, which offer not only decent and productive employment, but are also in line with the longer-term strategy for the country (e.g. shift to the green economy). This support can come in the form of timely and comprehensive information and counselling, matching, retraining (including online learning), and hiring subsidies. In low- and middle-income countries, employment services and other providers of ALMPs will need financial and technical support to achieve these goals.

In line with goals of strengthening lifelong learning, skills development systems need to also adapt and scale up support to young people seeking to make the transition from school to work, jobseekers who need to find new employment opportunities and workers who need to upgrade their skills and competencies. This needs to happen across formal and informal training programmes, including work-based learning, such as apprenticeships. Digital learning and new training

solutions in line with current and future labour demand will be key.

Promoting gender-responsive and youth-inclusive employment policies

As highlighted by [ILO's analysis](#), the COVID-19 crisis has **disproportionately affected women workers** in a number of ways, potentially wiping out gains made in recent decades and exacerbating existing gender inequalities in the labour market. Women's employment has been at greater risk than men's, particularly owing to the impact of the downturn on the service sector. At the same time, women account for a large proportion of workers in front-line occupations, especially in the health and social care sectors where women represent around 70 per cent of all workers. To counter the gender effects of the COVID-19 crisis, policymakers need to consider how gender can be integrated into national employment policies as a core objective across different policy domains (box 2).

► **Box 2. Gender-responsive national employment policies to promote a more inclusive recovery**

National economic policies need to place gender at the centre of recovery policies:

- **Macroeconomic stimulus packages, comprising both monetary and fiscal policies**, need to continue and be designed in ways that support women's employment and incomes. Premature fiscal consolidation can disproportionately affect women when cuts are made to subsidies, health and education budgets, wages and pensions.
- **Sectoral policies** need to continue to support hard-hit sectors affected as these are the ones where women work. At the same time, sectoral policies need to address new and growing sectors where decent employment opportunities for women will come from, closing women's skill gaps and helping remove statutory and practical barriers to entry. Hiring subsidies that have specific gender requirements could serve this purpose. Investing in the care economy will help provide more decent employment opportunities, while addressing the inadequate provision of care services.
- **Active labour market programmes** need to support women's (re)integration into productive employment. **Public employment services** that take an explicit gender approach are more likely to produce gender equitable outcomes.
- **These measures need to be complemented by respect for rights at work and strengthened labour market institutions**, including minimum wages, employment protection and social protection. Policies that promote more balanced sharing of family responsibilities are important to reduce the gender-biased care burden.

The multi-dimensional COVID-19 crisis has **badly affected young people across three dimensions, education and training, school-to-work transitions and their jobs and businesses**. For young labour market entrants and those already unemployed, underemployed and marginally attached to the labour force, the crisis will have long-term consequences unless policy interventions are immediate, sufficient and targeted.

Due to their large share in the working-age population in many countries, youth are often key beneficiaries of employment policies and crisis-response measures. However, it is **crucial to ensure that broader macroeconomic and sectoral policies also benefit young people** (e.g. supporting sectors that provide quality employment (or have the potential to provide) for significant numbers of young people).

The European Union's Youth Guarantee¹⁸ provides an example of a counter-cyclical active labour market policy that, in times of crisis, delivers **a comprehensive and prompt intervention to protect youth from long-term labour market exclusion**. By combining

support for the entry or re-entry to education, training and/or employment of young people in danger of being left behind, the extensive scale of such a programme provides support to individuals and can also contribute to macroeconomic stabilisation, thus supporting employment recovery as a whole.

In **low- and middle-income countries**, comprehensive responses targeting youth, including employment-intensive programmes, work-based learning (e.g. apprenticeships) and guarantees, are also required, but they **would need to be adapted to the specific circumstances**, and may need both domestic and external support in terms of financing and implementation.

Mitigating the impact of the crisis on informal workers and businesses, while promoting a transition to the formal economy

The COVID-19 crisis has led to **an immediate and substantial impact on businesses and workers in the**

¹⁸ For more information, see, for example: https://www.ilo.org/employment/areas/youth-employment/WCMS_546601/lang-en/index.htm

informal economy. Due to the lockdown and other containment measures, the informal economy has been hit harder and earlier than witnessed in previous shocks, such as the global financial crisis. With the constraints to business activity, even the informal economy's role as an "employer of last resort" has been curtailed.

The [ILO estimates](#) that the **earnings of informal workers declined in the first month of the crisis by 60 per cent globally**. By income level, the expected decline is 82 per cent in lower-middle- and low-income countries, 28 per cent in upper-middle-income countries, and 76 per cent in high-income countries. These income losses will have devastating effects on poverty. The [World Bank estimates](#) that the COVID-19 could increase extreme poverty by between 71 million (baseline scenario) and 100 million (downside scenario) in 2020.

For this reason, addressing the **impact on the informal economy needs to be priority** as part of the immediate crisis response, along with the return to work and progress towards a job-rich recovery.

As evident in the initial phase of the crisis, efforts have been made in some countries to ensure that **informal workers get income support** (e.g. extraordinary cash and in-kind transfers to informal workers in many countries, including Brazil, the Philippines, and Thailand) **and informal businesses are recipient of measures to mitigate the decline in economic activity** (e.g. loans, grants and debt restructuring for informal enterprises in South Africa's fiscal stimulus package). However, gaps remain in terms of not only income support and measures for business continuity, but also interventions to protect informal workers and their families from the virus, ensuring that they have adequate access to health care.

Fiscal, financial and technical support for informal workers and businesses will be needed throughout the opening up and recovery phases. For this reason, informality needs to be a key priority of national employment policy responses. Concerns around further informalization during the recovery need to be monitored and responded to by policymakers.

Over the longer term, investments are needed to strengthen health and social protection systems for all, along with comprehensive measures to facilitate the transition to and create more jobs in the formal economy.

Dealing with uncertainty in times of the COVID-19 crisis requires adapting the policy process

In the current context, finding the **most effective path to an inclusive, job-rich recovery requires dealing with the heightened uncertainty in the design and implementation of national employment policy responses**. In particular, the continuing uncertainty over the future trajectory of the virus means that the sequencing of policies cannot be distinguished by neat and separate phases but rather overlapping stages of an overarching employment policy approach. Dealing with the uncertainty involves addressing a number of areas (figure 3):

- **Strengthening data collection, assessments and modelling approaches:** More information is needed to identify the ongoing and changing nature of the impact of the crisis on the labour market. As the key source of labour market information, labour force surveys need strengthening in many countries. At the same time, data from other sources, including high-frequency data, phone-based rapid labour force surveys (e.g. in process or carried out by the ILO in Egypt, Ethiopia, [Jordan](#), [Lebanon](#), Morocco and Tunisia) have an important complementary role to play, especially during the crisis. Longitudinal data (following enterprises and households over time) is important to identify the impact of the crisis and its effect on transitions. Alternative modelling approaches (e.g. [nowcasting model adopted by the ILO](#)) may be needed to estimate the impact of COVID-19. In line with [ILO's guidelines](#), a range of rapid assessments of the labour market have been carried out by the ILO with constituents and other partners (e.g. Argentina, China, Costa Rica, Ethiopia, India, Kyrgyzstan, Lebanon, North Macedonia, Portugal, Thailand, Serbia, South Africa and Viet Nam¹⁹). These assessments need to be undertaken at

¹⁹ For more details, see <https://www.ilo.org/emppolicy/areas/covid/lang--en/index.htm>.

regular intervals, drawing from available quantitative and qualitative evidence.

- **More responsive policy formulation and implementation:** COVID-19 employment policy responses need to be implemented within existing policies (i.e. revision of employment policies and programmes in line with the COVID-19 crisis) or through crisis employment strategies formulated and implemented using a design that allows for faster corrective action to ensure that measures are responsive and adapting to the changing health circumstances and impact on the economy and labour market (e.g. by focusing on a shorter policy cycle for new strategies or shorter-term targeted measures, more frequent monitoring).
- **Increased emphasis on social dialogue:** As witnessed in previous crises, social dialogue underpins the design and delivery of effective crisis responses. With heightened uncertainty, it is critical that governments consult regularly with employers' and workers' organizations, along with other stakeholders that represent hard-hit groups (youth, informal workers/businesses, etc.), to assess both the impact of the crisis and the effectiveness of policy responses. Relying on existing employment committees or establishing COVID-19-specific

employment task forces would help focus social dialogue on the crisis impact and policy responses. Social dialogue should also be facilitated at not only the national level but also at the sub-national, sectoral and enterprise levels. Collective bargaining and agreements will need to address the impact of and response to the COVID-19 crisis.

To promote coordination on these dimensions and timely policy responses, ILO partners with the United Nations Common System and a range of other international, regional and national organizations. A critical entry point is the **UN Socio-Economic Response Framework**, which need to be aligned to NEPs and other national policies and plans.

The ILO is collaborating with a number of **regional partners on rapid assessments and employment policy responses to the COVID-19 crisis**, including the United Economic Commission for Africa on COVID-19 assessments in Cameroun, the African Development Bank in Morocco, a joint report on COVID-19 and youth employment in Asia and the Pacific with the Asian Development Bank, Economic Commission for Latin America in Latin America on assessments, European Bank for Reconstruction and Development in the western Balkans, and the Intergovernmental Authority on Development (IGAD) in Djibouti.

► Moving towards a better future of work

National employment policies can **play a key role in linking the immediate response to the COVID-19 crisis and achieving an inclusive, job-rich recovery.** However, this requires **adapting policy processes** to address three key areas:

- **Policy sequencing and balancing health and employment objectives** across a range of policy domains, including: macroeconomic policies; sectoral strategies and business support; social protection and income support; PES, ALMPs and labour market institutions; and skills development.
- **Target hard-hit sectors (e.g. retail, accommodation) and groups (e.g. women, young people and others, such as persons with disabilities), especially those in the informal economy,** during the reactivation and recovery

phases through general and specific policy measures, while identifying opportunities in new sectors with employment potential.

- **Respond to the heightened uncertainty** through: strengthened data collection, assessments and analytical approaches; more responsive policy processes; and social dialogue with employer and worker organizations.

Looking beyond the recovery phase, **national employment policy processes also need to consider the longer-term implications of the COVID-19 crisis.** In many ways, the current crisis has exacerbated existing inequalities (e.g. faced by specific groups, such as women) and accelerated trends that were already impacting the labour market (for instance, digitalization). The new realities of physical distancing

and shift to telework require new policy approaches and regulations to promote decent and productive employment. At the same time, a key focus of the longer-term strategy is to address structural inequalities. In this context, the **formalization of enterprises and workers in line with [Recommendation No. 204](#)** will help reinforce efforts to reduce inequalities and strengthen resilience in the labour market.

The **intersection of the impact of the COVID-19 crisis and the ongoing future of work trends due, in particular, to technological progress, demographic shifts and climate change**, will arguably define the key national employment policy priorities over the coming years. To this end, the [ILO Centenary Declaration for the Future of Work](#) provides guidance on shaping a new generation of national employment policies, which link the COVID-19 crisis response and the longer-term goal of moving towards a better future of work, through its human-centred agenda with a focus on investing in people's capabilities, institutions and decent and sustainable work.

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