

International Labour Organization (ILO) Note

COVID-19 and the world of work: Impact and policy responses

18 March 2020

This note offers the ILO's preliminary assessment concerning the possible impacts of COVID-19 on the world of work and proposes a range of policy options to mitigate these impacts and facilitate strong and fast recovery.

We will update this note as new data and information become available in this rapidly evolving situation.

For interviews, please contact newsroom@ilo.org

Consult our website for regular updates from the world of work response to the COVID-19 crisis.

▶ ilo.org/global/topics/coronavirus

1. Current situation: Why are labour markets important?

The COVID-19 pandemic, which has already infected almost 170,000 people in 148 countries, resulting in more than 6,500 deaths,¹ has the potential to reach a large proportion of the global population. Some estimates suggest that 40-70 per cent of the world's population could become infected.²

The crisis has already transformed into an economic and labour market shock, impacting not only supply (production of goods and services) but also demand (consumption and investment). Disruptions to production, initially in Asia, have now spread to supply chains across the world. All businesses, regardless of size, are facing serious challenges, especially those in the aviation, tourism and hospitality industries, with a real threat of significant declines in revenue, insolvencies and job losses in specific sectors. Sustaining business operations will be particularly difficult for Small and Medium Enterprises (SMEs). Following travel bans, border closures and quarantine measures, many workers cannot move to their places of work or carry out their jobs, which has knock-on effects on incomes, particularly for informal and casually-employed workers. Consumers in many economies are unable or reluctant to purchase goods and services. Given the current environment of uncertainty and fear, enterprises are likely to delay investments, purchases of goods and the hiring of workers.

Prospects for the economy and the quantity and quality of employment are deteriorating rapidly. While updated forecasts vary considerably -- and largely underestimate the situation -- they all point to a significant negative impact on the global economy, at least in the first half of 2020.³ These worrisome figures show growing signs of a global economic recession.

Swift and coordinated policy responses are needed at national and global level, with strong multilateral leadership, to limit the direct health effects of COVID-19 on workers and their families, while mitigating the indirect economic fallout across the global economy. Protecting workers and their families from the risk of infection needs to be a top priority. Demand-side measures to protect those facing income losses because of infection or reduced economic activity are critical to stimulating the economy. Income protection also mitigates the disincentives against disclosing potential infections, especially amongst low-income and already disadvantaged groups of workers.

¹ Figures for 16 March; Johns Hopkins University Center for Systems Science Engineering Dashboard, <https://gisanddata.maps.arcgis.com/apps/opsdashboard/index.html#/bda7594740fd40299423467b48e9ecf6>

² Baldwin, R. and B.W. Di Mauro 2020. Economics in the Time of Covid-19. CEPR. <https://voxeu.org/content/economics-time-covid-19>

³ See for example UNCTAD, <https://unctad.org/en/pages/PressRelease.aspx?OriginalVersionID=548>

Deeper institutional and policy reforms are also required to strengthen demand-led recovery and build resilience through robust and universal social protection systems that can act as automatic economic and social stabilizers in the face of crises. This will also help to rebuild trust in institutions and governments.

Tripartite social dialogue between Governments and Workers' and Employers' organizations is a key tool for developing and implementing sustainable solutions, from the community level to the global level. This requires strong, independent and democratic social partner organizations.

The Great Recession and other crises have shown that we can prevent the risk of a vicious downward cycle only through large-scale, coordinated and decisive policy measures.

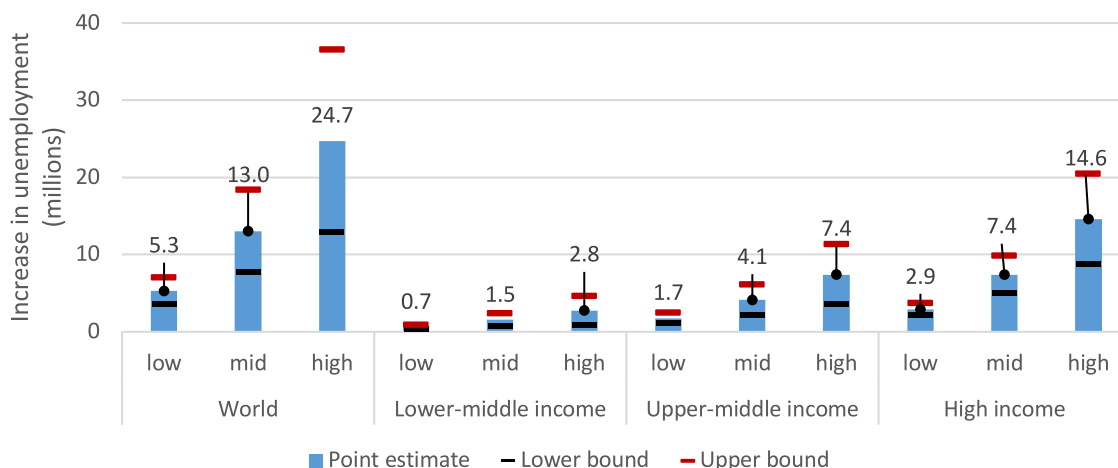
2. Impacts: How will COVID-19 affect the world of work?

COVID-19 will have far-reaching impacts on labour market outcomes. Beyond the urgent concerns about the health of workers and their families, the virus and the subsequent economic shocks will impact the world of work across three key dimensions: 1) The quantity of jobs (both unemployment and underemployment); 2) The quality of work (e.g. wages and access to social protection); and 3) Effects on specific groups who are more vulnerable to adverse labour market outcomes.

Impact on global unemployment and underemployment

Initial ILO estimates point to a significant rise in unemployment and underemployment in the wake of the virus. Based on different scenarios for the impact of COVID-19 on global GDP growth (see Annex I), preliminary ILO estimates indicate a rise in global unemployment of between 5.3 million ("low" scenario) and 24.7 million ("high" scenario) from a base level of 188 million in 2019. The "mid" scenario suggests an increase of 13 million (7.4 million in high-income countries). Though these estimates remain highly uncertain, all figures indicate a substantial rise in global unemployment. For comparison, the global financial crisis of 2008-9 increased unemployment by 22 million.

Figure 1: Impact of declining global growth on unemployment based on three scenarios, world and income groups (millions)



Note: The figure shows the estimated unemployment impact based on three GDP growth scenarios simulated by McKibbin and Fernando (2020). The error bounds present the range of uncertainty stemming from the unemployment projection model but taking the GDP growth scenario as given.

Underemployment is also expected to increase on a large scale. As witnessed in previous crises, the shock to labour demand is likely to translate into significant downward adjustments to wages and working hours. While self-employment does not typically react to economic downturns, it acts as a “default” option for survival or maintaining income - often in the informal economy. For this reason, informal employment tends to increase during crises. However, the current limitations on the movement of people and goods may restrict this type of coping mechanism.

The decline in economic activity and constraints on people’s movements is impacting both manufacturing and services. The most recent data shows that the total value added of industrial enterprises in China declined by 13.5 per cent during the first two months of 2020.⁴ Global and regional supply chains have been disrupted. The services sector, tourism, travel and retail are especially vulnerable. An initial assessment by the World Trade and Tourism Council forecasts a decline in international arrivals of up to 25 per cent in 2020, which would place millions of jobs at risk.

⁴ National Bureau of Statistics of China, http://www.stats.gov.cn/english/PressRelease/202003/t20200316_1732244.html

Implications for labour income and working poverty

Labour supply is declining because of quarantine measures and a fall in economic activity.

At this point, a preliminary estimate (up to 10 March) suggests that infected workers have already lost nearly **30,000 work months**, with the consequent loss of income (for unprotected workers). **Employment impacts imply large income losses for workers.** Overall losses in labour income are expected in the range of between **860 and 3,440 billion USD**. The loss of labour income will translate into lower consumption of goods and services, which is detrimental to the **continuity of businesses** and ensuring that economies are resilient.

Table 1: Estimated decline in labour income and increase in extreme and moderate working poverty (<US\$ 3.20 per day, PPP), 2020

Income group	Low	Mid	High
Labour income (US\$ billion)	-860	-1,720	-3,440
Extreme and moderate working poverty (millions)			
World	8.8	20.1	35.0
Low income	1.2	2.9	5.0
Lower-middle income	3.7	8.5	14.8
Upper-middle income	3.6	8.3	14.5

Note: Working poverty estimates pertain to an absolute poverty threshold (below US\$3.20 at PPP) for 138 low- and middle-income countries. This analysis excludes potential impacts on working poverty in high-income countries.

Working poverty is also likely to increase significantly. The strain on incomes resulting from the decline in economic activity will devastate workers close to or below the poverty line. The growth impacts of the virus used for the unemployment estimates above suggest an additional 8.8 million people in working poverty around the world than originally estimated (i.e. an overall decline of 5.2 million working poor in 2020 compared to a decline of 14 million estimated pre-COVID-19). Under the mid and high scenarios, there will be between 20.1 million and 35.0 million more people in working poverty than before the pre-COVID-19 estimate for 2020.⁵

⁵ These estimates are uncertain insofar as it remains unclear how low- and middle-income countries will be affected. If the virus impacts these economies to the same extent, the impact on working poverty will be much greater.

Who are particularly vulnerable?

Epidemics and economic crises can have a disproportionate impact on certain segments of the population, which can trigger worsening inequality⁶ Based on past experience and current information on the COVID-19 pandemic and insights from previous crises, a number of groups can be identified:

- Those with underlying health conditions and older people are most at risk of developing serious health issues.
- Young persons, already facing higher rates of unemployment and underemployment, are more vulnerable to falling labour demand, as witnessed during the global financial crisis. Older workers can also suffer from economic vulnerabilities. After the MERS outbreak, older workers were found to be more likely than prime-age individuals to experience higher unemployment and underemployment rates, as well as decreased working hours.⁷
- Women are over-represented in more affected sectors (such as services) or in occupations that are at the front line of dealing with the pandemic (e.g. nurses). The ILO estimates that 58.6 per cent of employed women work in the services sector around the world, compared to 45.4 per cent of men. Women also have less access to social protection and will bear a disproportionate burden in the care economy, in the case of closure of schools or care systems (ILO, 2018).⁸
- Unprotected workers, including the self-employed, casual and gig workers, are likely to be disproportionately hit by the virus as they do not have access to paid or sick leave mechanisms, and are less protected by conventional social protection mechanisms and other forms of income smoothing.
- Migrant workers are particularly vulnerable to the impact of the COVID-19 crisis, which will constrain both their ability to access their places of work in destination countries and return to their families.

⁶ See for example Lee, A. and J. Cho 2016. The impact of epidemics on labor market: identifying victims of the Middle East Respiratory Syndrome in the Korean labour market. *Int J Equity Health*. 2016; 15: 196.

⁷ Lee and Cho 2016 (ibid).

⁸ ILO (2018) Care work and care jobs for the future of decent work. ILO, Geneva.

3. Responses: what are the key policies that will mitigate the impacts of COVID-19 on the world of work?

In times of crisis, International Labour Standards provide a strong foundation for key policy responses that focus on the crucial role of decent work in achieving a sustained and equitable recovery. These standards, adopted by representatives of governments, workers' and employers' organizations, provide a human-centred approach to growth and development, including by triggering policy levers that both stimulate demand and protect workers and enterprises.⁹

Policy responses should focus on two immediate goals: Health protection measures and economic support on both the demand- and supply-side.

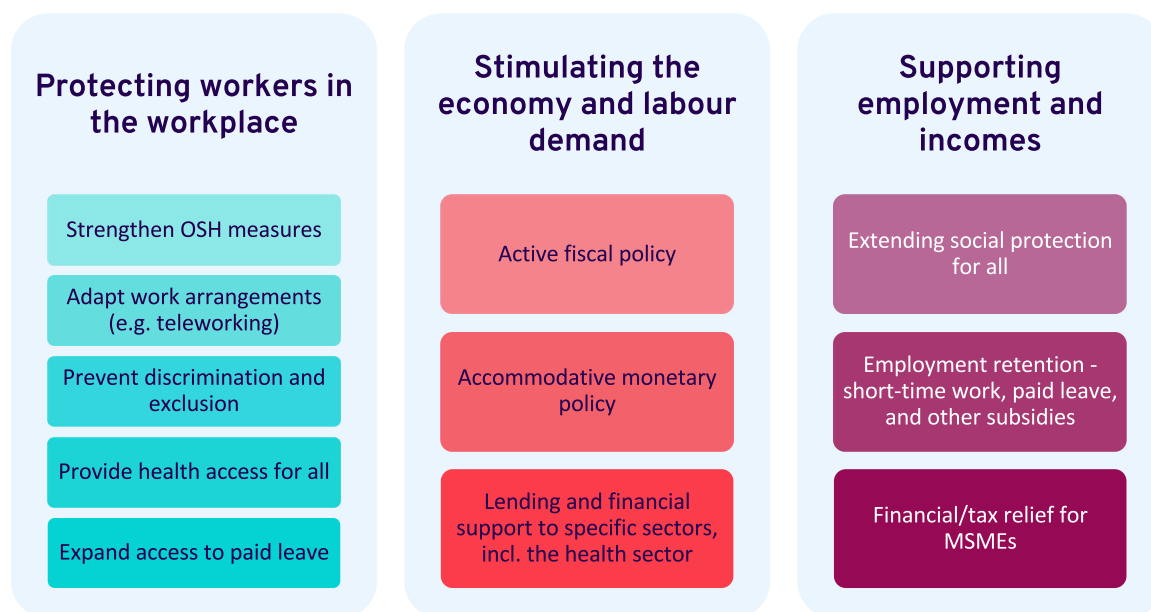
- First, workers and employers and their families should be protected from the health risks of COVID-19. Protective measures at the workplace and across communities should be introduced and strengthened, requiring large-scale public support and investment.
- Second, timely, large-scale and coordinated policy efforts should be taken to provide employment and income support and to stimulate the economy and labour demand. These measures not only cushion enterprises and workers against immediate employment and income losses, but they also help prevent a chain of supply shocks (e.g. losses in workers' productivity capacities) and demand shocks (e.g. suppressing consumption among workers and their families) that could lead to a prolonged economic recession.

Pro-active, large-scale and integrated measures across all policy areas are necessary to make strong and sustained impacts. Since the crisis is evolving rapidly, careful monitoring of the direct and indirect effects of all interventions are crucial to ensure policy responses are and stay relevant.

Building confidence through trust and dialogue is crucial in making policy measures effective. Especially in times of heightened social tension and a lack of trust in institutions, strengthened respect for, and reliance on mechanisms of social dialogue creates a strong basis for building the commitment of employers and workers to the joint action with governments. Enterprise-level social dialogue is also crucial.

⁹ Key lessons from previous crises, including the GFC and SARS/MERS are outlined in Annex II.

Policy framework: Three key pillars to fight Covid-19 based on International Labour Standards



Protect workers in the workplace to minimize the direct effects of the coronavirus, in line with WHO recommendations and guidance¹⁰

- Improve OSH measures, including social distancing, provision of protective equipment (especially for health and allied workers, volunteers and others in permanent contact with people), hygiene procedures and forms of work organization (supported by information and awareness campaigns), and through social dialogue between employers and workers and their representatives, using for example OSH committees;
- Encourage appropriate flexible working arrangements, such as teleworking;
- Prevent discrimination and exclusion relating to COVID-19;
- Enhance universal access to collectively-financed health services for all, including uninsured workers and their families;
- Expand access to collectively-financed paid sick leave, sickness benefits, and parental/care leave to ensure income security for those who are sick, quarantined or caring for children, elderly or other family members.

Stimulate the economy and labour demand through economic and employment policies to stabilize economic activity.

¹⁰ <https://www.who.int/docs/default-source/coronaviruse/covid-19-sprp-unct-guidelines.pdf>

- Active fiscal policies, particularly social protection measures, including targeted transfers and automatic stabilizers, such as unemployment benefits, along with public investment and tax relief for low-income earners and Micro, Small and Medium Enterprises (MSMEs);
- Accommodative monetary policy (interest rate reductions, reserve rate relaxation, targeted liquidity provisions);
- Targeted lending and financial support for specific sectors to protect enterprises, especially MSMEs. Investing in health systems is crucial in building resilience against COVID-19 but also offers an opportunity to create decent jobs.

Protect employment and incomes for enterprises and workers negatively impacted by the indirect effects (factory closures, disruption to supply chains, travel bans, cancellation of public events, etc.)

- Social protection through existing schemes and/or ad-hoc payments for workers, including informal, casual, seasonal and migrant workers, and the self-employed (e.g. through access to unemployment benefits, social assistance, and public employment programmes);
- Employment retention schemes, including short-time work arrangements/partial unemployment benefits and other time-bound support for enterprises, such as wage subsidies [and *temporary* cuts to payroll tax/exemptions from social security contributions], provision of paid leave and extension of existing entitlements to workers, and training leave, grants and related schemes;
- Time-bound financial/tax relief and income smoothing measures to support business continuity, especially MSMEs and the self-employed (e.g. subsidies, credit mediation/re-financing to overcome liquidity constraints).

4. Countries in action: How have countries been responding?

Countries are already responding. During the initial phase of the COVID-19 outbreak, a number of countries have implemented decisive measures to combat the spread of the disease, while ameliorating its pernicious effect on the economy and labour market across the three policy pillars: protecting workers in the workplace, stimulating the economy and labour demand, and supporting employment and income (Table 3).¹¹

¹¹ The policy response is evolving rapidly and the inventory of actions will be regularly updated.

Table 3: Selected examples of measures taken in response to COVID-19

Protecting workers in the workplace

Working arrangements, including telework:

Teleworking and **staggered hours** are being introduced in many countries at national or workplace level. In order to promote teleworking, financial support and simpler procedures have been used in Italy and Japan.

Expanded access to paid sick leave:

Provisions for **paid sick leave** are being made available in many countries for workers who are unwell or in quarantine. In China, the government has instructed that salary payments should be made to workers who are unable to work due to quarantine or illness. Ireland, Singapore and South Korea have made sick pay/leave available for the self-employed, while in the UK, statutory sick pay will be provided for eligible diagnosed or self-isolating individuals, payable from the first day instead of the fourth.

Occupational Safety and Health (OSH) advice:

Advice on workplace OSH measures and responses to concerns by employers and workers is being provided through hotlines, dedicated websites, and dissemination of information materials. The Japan Business Federation (Keidanren) submitted to member companies a questionnaire about workplace measures against the spread of COVID-19, while the Japanese Trade Union Confederation (JTUC-RENGO) has established specialized hotlines.

Prevention of discrimination and exclusion:

Stigmatisation, discrimination and exclusion are being addressed in different ways in many countries. In Japan, where health workers have reported COVID-19-related harassment, the Ministry of Justice has set up a webpage with links to hotlines on bullying and harassment.

Other measures:

Other protective measures include **childcare support for working parents in almost all countries where schools and nurseries are closed**. In Japan, JTUC-RENGO is facilitating access to after-school childcare centres to support

	<p>working parents due to school closures, while support has been announced for enterprises whose employees need to hire child carers. In Italy, vouchers are being provided for this purpose as an alternative for leave during kindergarten school closures. In some areas of Germany, resources are offered by the government for people offering ad hoc child care.</p>
<p>Stimulating the economy and labour demand</p>	<p>Active fiscal policy and accommodative monetary policy:</p> <p>Central banks in Australia, Canada, New Zealand, UK, and the US have cut interest rates. The South Korean government announced a special Support Package with a budget of 20 trillion KRW in 2020. Italy has introduced tax breaks and waivers for social security contributions, as well as extensions of deadlines for repayment of mortgages.</p> <p>Lending and financial support to specific sectors, including the health sector:</p> <p>Financial support to specific sectors has been announced in many countries. In China, the government has set up a subsidized 300 billion yuan credit facility for producers of masks and other health-related items. In the UK, £5 billion have been allocated to the National Health Service (NHS), while in Ireland, the government has allocated €435m for the Health Service Executive. In South Korea, tourism and other badly affected sectors have been identified for increased subsidies and longer periods of support. France and Germany announced a broad approach to support all sectors that are affected. Germany announced “unlimited” support for enterprises.</p>
<p>Supporting employment and incomes</p>	<p>Work reduction and compensation arrangements:</p> <p>Paid reductions in working time/partial unemployment benefits, which compensate workers for hours not worked, are being expanded and/or simplified in France, Germany (Kurzarbeit), Italy and the Netherlands.</p> <p>Employment retention is also being guaranteed/promoted through other means. In China, the government has issued a notice to ensure that the contracts of migrant workers are not terminated in the case of illness or containment measures.</p> <p>Unemployment benefits have been expanded in several countries. In the Philippines, the Social Security Scheme (SSS) is prepared to pay</p>

unemployment benefits to some 30,000 to 60,000 workers projected to lose their jobs following possible layoffs or business closures.

Social assistance benefits or other forms of cash transfers are used in some countries to enhance income security and boost aggregate demand. In Hong Kong, China, adult residents will receive a one-time cash transfer of \$1,280, which is expected to boost the economy by 1%.

Financial/tax relief (including for enterprises):

Financial support and tax relief are being introduced in a number of countries. The UK has introduced a guarantee system for 80% of the loan value for SMEs on lending and overdrafts and will provide an additional £2.2 billion funding for local authorities to support small businesses. In South Korea, VAT breaks for businesses earning 60 million KRW or less a year and expansion of the Special Financial Support for small merchants and SMEs have been announced. In France tax relief measures allow all companies to defer "without justification, formalities or penalties" the payment of contributions and taxes due in March 2020. Affected companies could also benefit from the postponement of social or tax installments or even tax rebates in the most extreme or difficult situations.

While these measures will no doubt help to contain the pandemic, to respond to the emergency needs it has generated and to pave the way to a gradual recovery, it is clear that more needs to be done. Past crises and the experiences of countries, which have reacted too late in the context of the current COVID-19 crisis, show that preparedness and early action is critical.

Annex I: Estimating the impact of COVID-19 on the world of work

The ILO actively maintains a series of econometric models that are used to produce estimates of labour market indicators in the countries and years for which country-reported data are unavailable. The purpose of estimating labour market indicators for countries with missing data is to obtain a balanced panel data set so that every year, regional and global aggregates with consistent country coverage can be computed. These allow the ILO to analyse global and regional estimates of key labour market indicators and related trends.

Based on the available analysis of the impact of COVID-19 on economic growth (GDP), a number of scenarios can be investigated to obtain a plausible range for the (un)employment impact of the virus. The economic estimates used in the ILO's modelling of the impact on the labour market draw from McKibbin and Fernando (2020)¹² who implement a range of supply and demand shocks in a global hybrid DSGE/CGE model, with the assumption that during the course of the year all countries will suffer from the pandemic.¹³ This study proposes three potential scenarios based on the strength of the effects of the virus (low, mid and high). Using these three scenarios results in three sets of unemployment estimates:

- “Low” scenario where GDP growth drops by around 2 per cent: Global unemployment would increase by **5.3 million**, with an uncertainty of 3.5 to 7 million.¹⁴
- “Mid” scenario where GDP growth drop by 4 per cent: Global unemployment would increase by **13 million** (7.4 million in high-income countries), with an uncertainty of 7.7 to 18.3 million.
- “High” scenario where COVID-19 has serious disruptive effects, reducing GDP growth by around 8 per cent: Global unemployment would increase by **24.7 million**, with an uncertainty ranging from 13 million to 36 million.

¹² McKibbin, W. and R. Fernando (2020) The Global Macroeconomic Impacts of COVID-19: Seven Scenarios. <https://www.brookings.edu/research/the-global-macroeconomic-impacts-of-covid-19-seven-scenarios/>

¹³ The authors implement the same shocks in all countries. The GDP growth effect differs somewhat between countries, especially between high- and middle-income countries, but generally are of similar magnitude.

¹⁴ This uncertainty stems from the margin of error of the impact of the GDP growth scenario on unemployment.

Annex II: Lessons from the past: Some key learnings relevant to this crisis

This pandemic is unique in many ways, but there are still lessons we can learn from previous economic crises (e.g. the global financial crisis) as well as epidemics (e.g. avian and swine flu, SARS, MERS, Ebola Virus Disease - EVD), which highlight the central role of employment, social protection and social dialogue in mitigation and recovery policies.

Accurate, consistent, timely and transparent information is essential not just for fighting the pandemic but also for reducing uncertainty and boosting confidence at all levels of the economy and society, including the workplace. A decline in, or lack of, confidence affects consumer spending and business investment, inducing economic slowdown and hampering recovery.

Workplaces are effective focal points for the dissemination of information, communication and sensitization on occupational safety and health, including prevention and protection measures to reduce the spread of infectious diseases. This, in turn, helps lessen the social and economic impact of such diseases, including by protecting jobs, especially in the most affected sectors. Workers and employers can work together to advocate for prevention, raising awareness and building capacity of their members, and implementing workplace level occupational safety and health practices in line with relevant International Labour Standards.

Large interventions, rather than piecemeal approaches, make a difference, especially when endowed with maximum resources (e.g. proactive fiscal policies) and innovative policy solutions (e.g. new and various types of cash transfer programmes for target groups). This is critical to maintain the living standard of affected populations and spur demand-led recovery.

Specific segments of the labour force who are hit hardest require particular attention. As witnessed during the Great Recession, youth and those over 55 years of age usually require more support in regaining their employment status.¹⁵ As learned in the case of the EVD crisis, in health emergencies some groups are especially vulnerable (for example, health workers, and women, due to their caregiving role).

A focus on employment, including self-employment, is fundamental to facilitate the recovery process. Past responses to health emergencies and natural disasters have shown that employment-intensive investments in health and water, sanitation, and hygiene (WASH)

¹⁵ Lee, A and Cho, J (2016) "The impact of epidemics on labor market: identifying victims of the Middle East Respiratory Syndrome in the Korean labor market" in International Journal Equity Health. 2016

infrastructure and services are an important means of immediate job creation in crises. Policies that support skills development and entrepreneurship cushion the impact of unemployment.

Social protection systems and public infrastructures for social services increase resilience, allowing societies to cope with emergencies in the immediate term and to mitigate the impact of possible future crises. Effective and efficient social security systems are powerful economic and social stabilizers of economies and societies, especially if they are already in place before a crisis hits. The role of social protection supporting aggregate demand in times of crisis has been widely recognized. The Ebola outbreak in parts of West Africa showed that the lack of social protection measures in the context of health epidemics aggravates poverty, unemployment and informality, leading to a vicious circle of even greater fragility.

Preparedness at all levels is essential to mitigate impacts and increase resilience, protecting jobs, enterprises and livelihoods. Drawing on previous epidemics, business continuity planning has proved to help navigate the uncertain future and promote business sustainability by identifying and managing risks; understanding business priorities, key products and services; establishing response plans; and taking action to minimize disruption and ensure that the workplace and workers are protected and prepared.

Constructive and persistent social dialogue between governments and social partners plays a crucial role in developing effective responses at the enterprise, sectoral and macroeconomic level, as demonstrated by historic economic crises. Governments can neither tackle the causes and consequences of crisis nor ensure social stability and recovery through unilateral action. Social dialogue is an irreplaceable tool of balanced crisis management and accelerating recovery as well as an essential governance instrument with regard to change. Confirmed channels of communication and continued dialogue with the government are key to allow workers' and employers' organizations to manage enterprise restructuring in a sustainable way and preserving jobs.