



Changes In The World Of Work: The Effects On Security In Developing Countries

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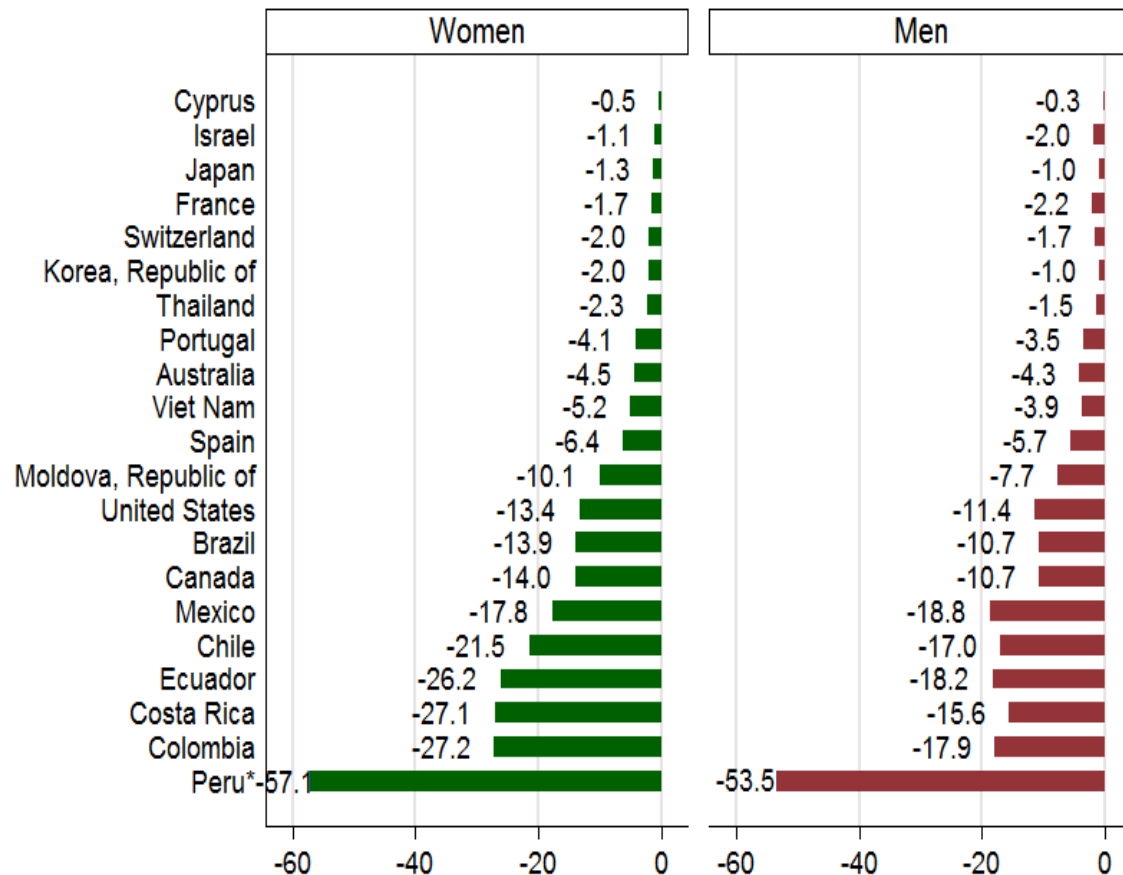
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- **Covid-19 Heterogenous Labour Market Outcomes**
 - Early Evidence for Developing Countries
 - Within-Country Labour Market Outcomes: South Africa
 - Jobs and Hours of Work: The Extensive and Intensive Margin
- **Covid-19 and Labour Market Security: A Tentative Framework**
- **Thinking Differently About Work Insecurity**
 - Work from Home and Physical Interaction Indices
- **The Macro-Economic Fallout: From Stimulus to Deficits**
- **Conclusions**

I: Covid-19 Heterogeneous Labour Market Outcomes: Early Evidence for Developing Countries

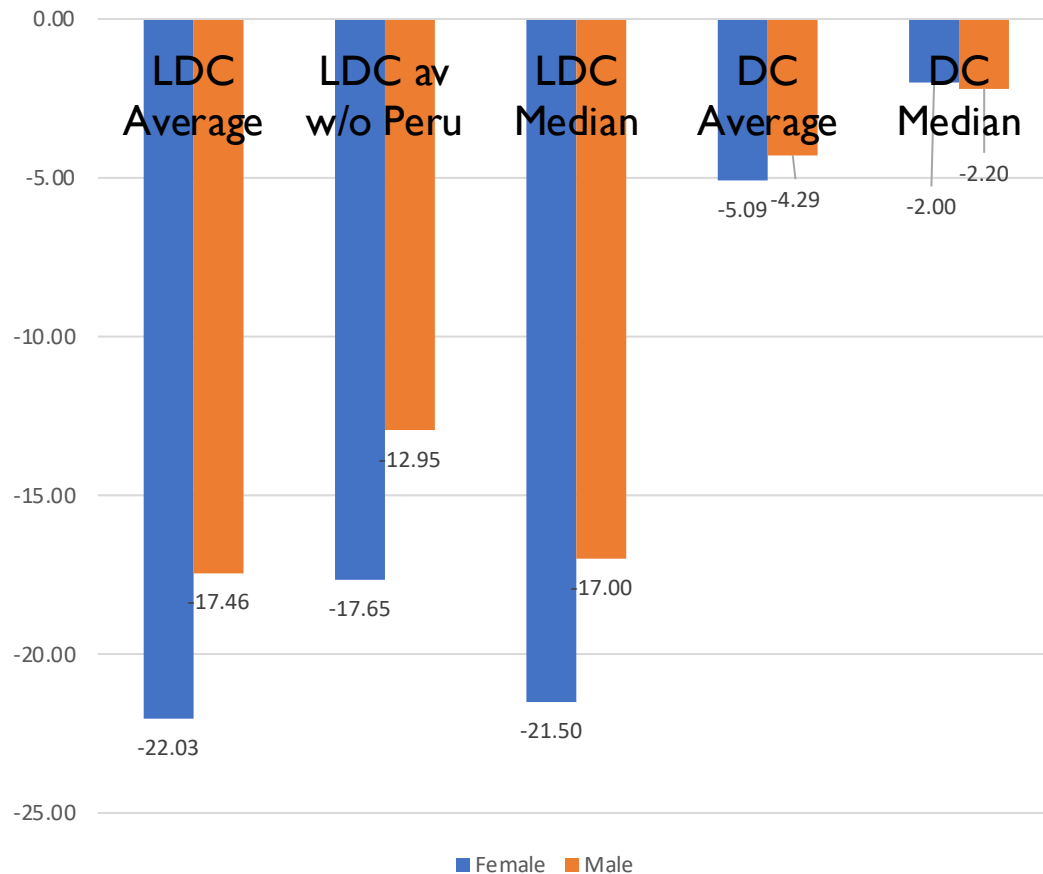
Employment 2019:2 and 2020:2, Percentage Change: By Gender, selected countries



- 94% of the world's workers in countries with some form of workplace closure restrictions in place.
- Developing country average employment loss ranges from -1.5% loss in Thailand to 57.1% in Peru using period 2019:2 & 2020:2.
- Significant heterogeneity in aggregate employment outcomes across developed and developing countries.

I: Covid-19 Heterogeneous Labour Market Outcomes: Early Evidence for Developing Countries

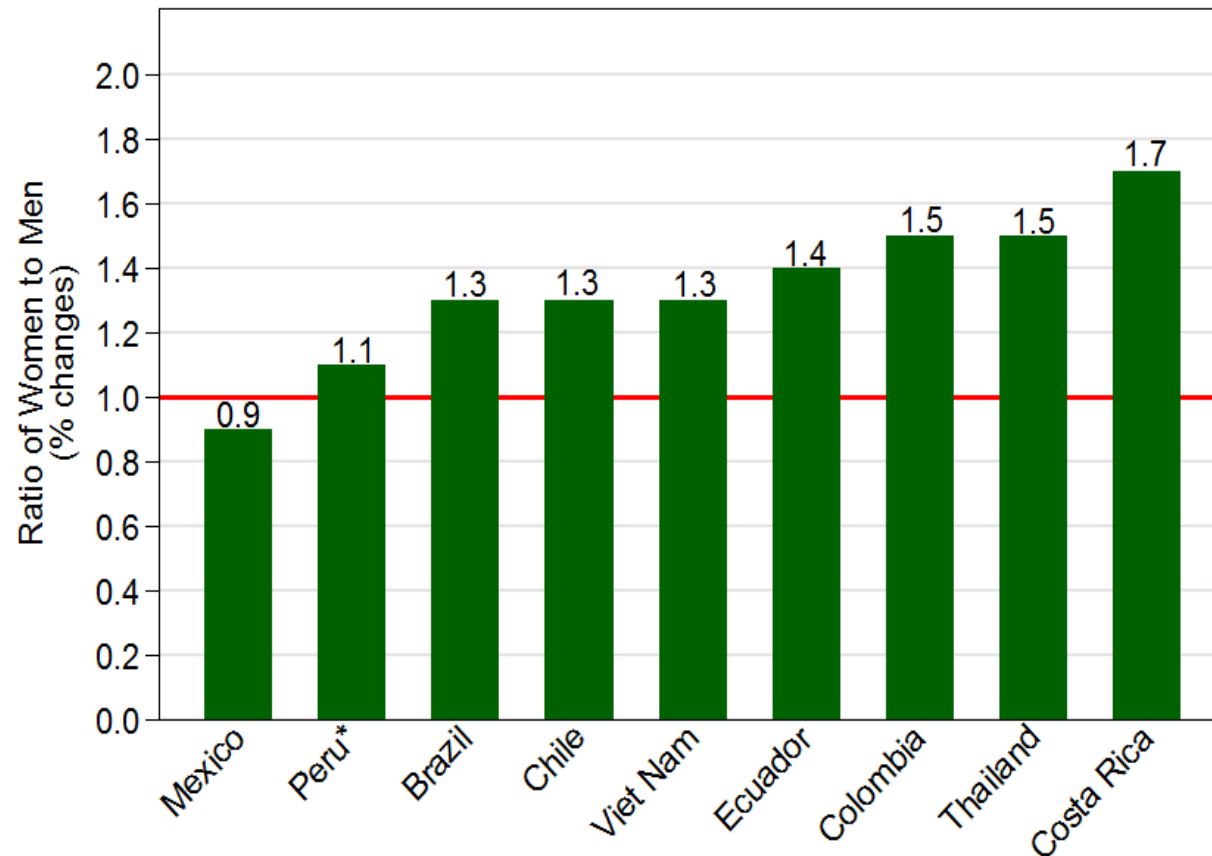
Change In Employment Rates, Developing and Developed Country Mean & Median: 2019:2 & 2020:2



- What is very clear is that developing country Empl. rates have decreased at mean & median, much faster than developed country Empl. rates:
 - LDC Female and Male Mean Empl. rates fell over *4 times faster* than in developed countries.
 - LDC Female & Male Median Empl. rates fell between *8 and 11 times faster* than in developed countries.
- Growth of labour market insecurity more pronounced in developing countries.

I: Covid-19 Heterogeneous Labour Market Outcomes: Early Evidence for Developing Countries

*Ratio of Female:Male Employment Percentage Change: Selected
Developing Countries, 2019:2 & 2020:2*



Source: National labour force surveys accessed in the ILOSTAT database on 13 September 2020.
Note: The data for Peru refer only to Lima and its metropolitan area

- Female employment has contracted by more than male employment in all developing countries, except Mexico.
- Specifically, female employment rates in sample have decreased by between 10 and 70% faster than male employment rates.
- Insecurity in developing country sample has disproportionately affected women in the labour market.

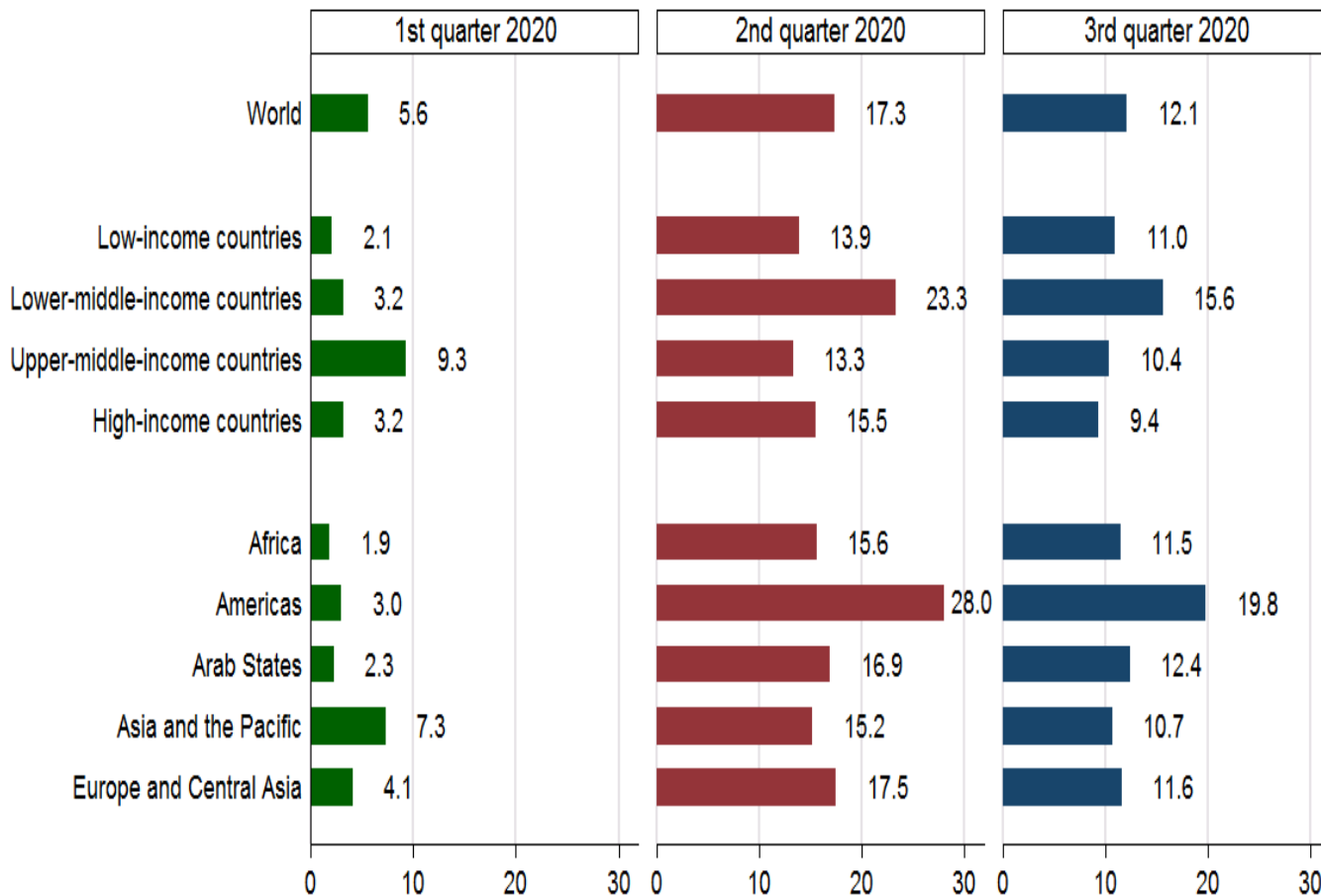
I: Covid-19 Heterogeneous Labour Market Outcomes: Within-Country Evidence - South Africa

	Y-o-Y change		Employment shares (%)		Share of change (2019Q2 - 2020Q2)
	Absolute	%	2019Q2	2020Q2	
Primary	-50 908	-4.2	7.5	8.3	2.3
Secondary	-668 915	-20.2	20.3	18.7	30.6
Tertiary	-1 465 709	-12.4	72.2	73.0	67.1
High-skilled	-7 479	-0.3	14.5	16.8	0.3
Semi-skilled	-1 438 556	-15.6	56.6	55.3	64.6
Low-skilled	-779 797	-16.5	28.9	27.9	35.0
Male	-1 201 649	-13.1	56.3	56.4	55.5
Female	-962 842	-13.5	43.7	43.6	44.5
15-34	-1 094 829	-18.4	36.6	34.4	50.6
35-54	-882 219	-10.1	53.6	55.6	40.8
55-64	-187 442	-11.7	9.8	10.0	8.7
Urban	-1 713 182	-13.7	77.5	76.8	82.0
Rural	-451 308	-11.8	23.8	24.2	21.6
Formal	-1 130 727	-9.4	73.6	76.9	52.2
Informal	-813 716	-25.0	19.9	17.2	37.6
Private households	-254 249	-20.0	7.8	7.2	11.7
Private	-2 030 691	-14.9	83.6	82.0	93.8
Public	-144 244	-5.1	17.4	19.1	6.7
Total	-2 225 832	-13.6	100.0	100.0	100.0

- The economy witnessed a 14% decline (2.2 million jobs) in total employment in annualized quarterly period.
- Significant heterogeneity in outcomes w.r.t. characteristics of jobs lost:
 - Close to 50% in informal and domestic services employment.
 - 82% in urban areas.
 - Similar shares of loss by gender.
 - Disproportionate and majority share amongst youth.
 - Disproportionate share in manufacturing and construction, although majority in tertiary sector.
 - 65% in semi-skilled occupations.

I: Covid-19 Heterogeneous Labour Market Outcomes: Hours of Work Adjustments

Decline In Working Hours, % Change By Region and Income Group: 2020:1-2020:3



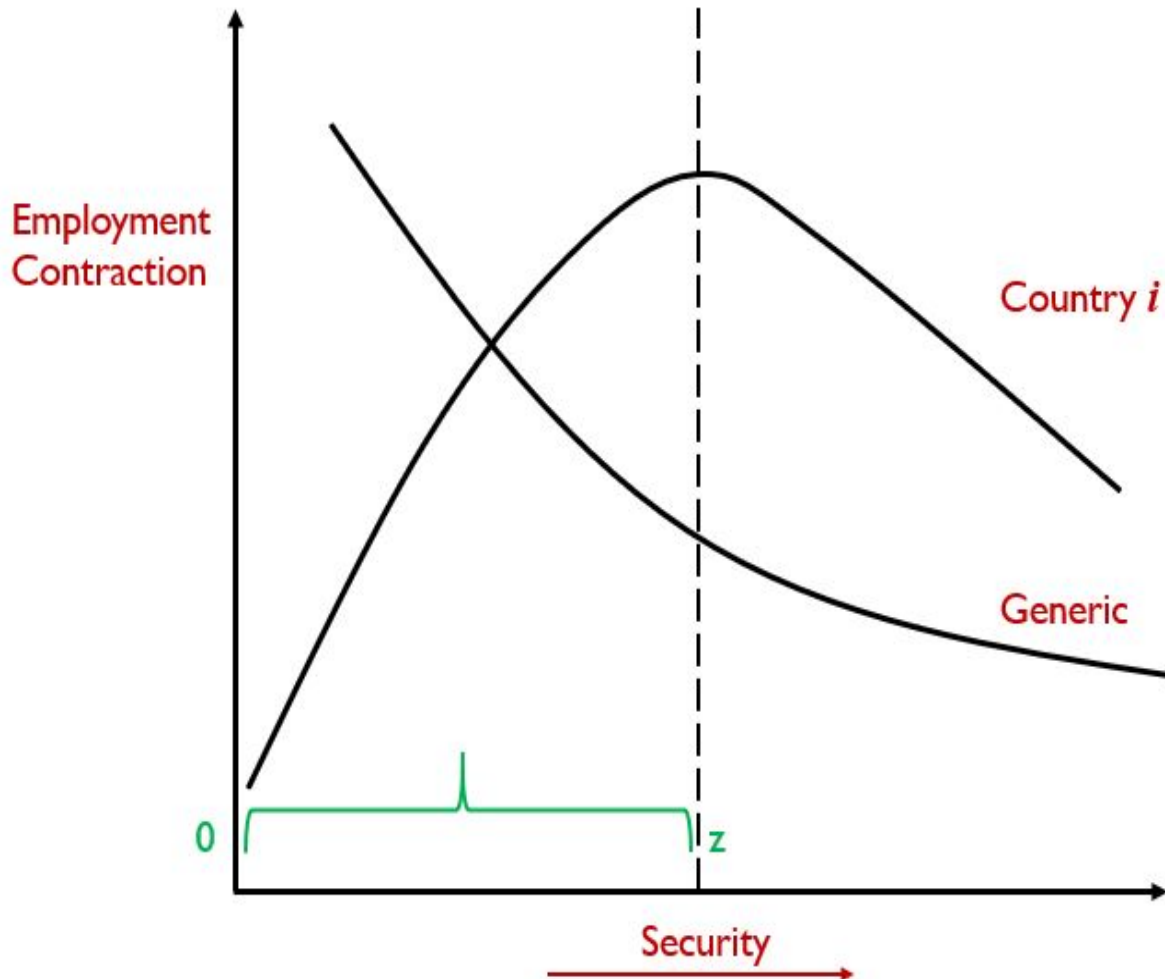
- ILO correctly argues: Focus on employment loss only, may underestimate impact on economic insecurity of pandemic: *Focus on changes in working hours.*
- 5.6% decline in global working hours relative 2019:4 = 160 million full-time jobs (48-hour working week)
 - Global working hours losses grow sharply q-on-q in 2020:2 = 495mill. full-time jobs, and
 - Declined by 12.1% 2020:3 (q-on-q) = 345mill. full-time jobs.
- **Amounted to 15% of World's Employed in 2020:2**
- Largest reductions in UMI or LMI country groupings.
- Region most affected initially was Asia and Pacific, but is now the Americas.
- Has translated into significant contraction in labour income across the world's labour markets.
 - A reduction of between 9 and 15% – LMI and UMI economies, followed by LICs being most negatively affected by losses of income – over the period 2020:1-2020:3

I: Covid-19 Heterogeneous Labour Market Outcomes: A Labour Market Security Lens

Sector/ Industry	Examples	Employment Effects [Short- to Medium-Term]
A	Tourism; Informal Sector; Domestic Services;	Negative
B	Agriculture; Public Sector; Essential Services	Neutral
C	Telecommunication; Logistics; financial services; business services; transport;	Positive

- LDC labour markets will experience heterogeneous sectoral effects.
- Net labour market effect will be negative in short-run.
 - Some key sectors (public sector, health services) though will witness neutral impact on employment, or even increase.
- Specific country-level impact for developing countries will be based on empirical evidence, utilizing appropriate time-based survey data.

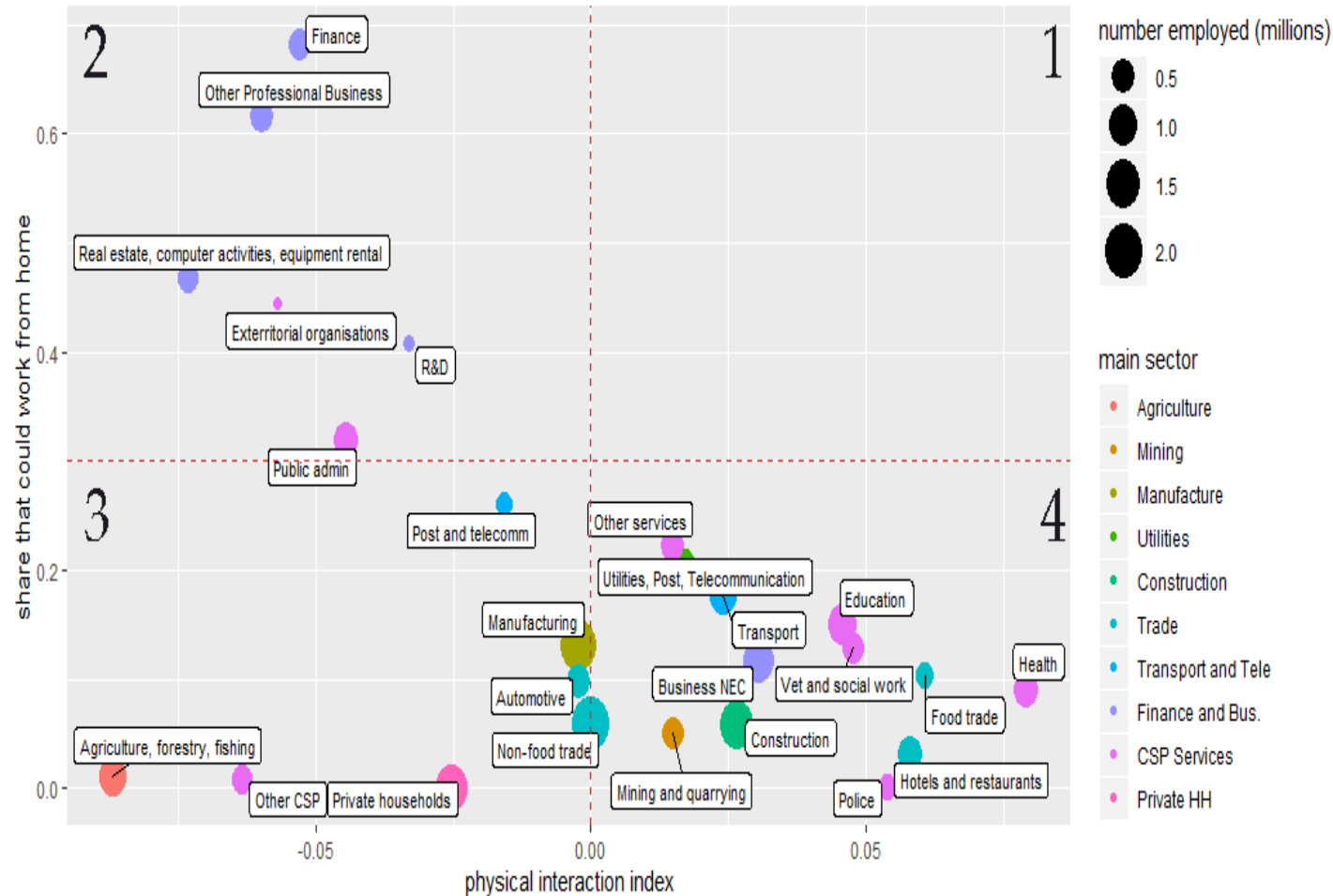
II: Covid-19 and Labour Market Security: A Tentative Framework



- Think of employment contraction for sub-groups organized by level of economic security.
- The Generic Model will tend to assume that the largest employment contraction will occur for those with lowest initial level of economic security.
- Possible, based on data, that there are non-linear effects, where larger employment contraction and working hours reduction, may occur for those with higher economic security.
- Key challenge for economic policy: Target those made worst off by the pandemic, below some economic security threshold (z).
 - Target those individuals and households in the $0-z$ security range, but support level and targeting will differ depending on the nature of the employment-security relationship.

III: Thinking Differently About Work Insecurity: Work from Home and Physical Interaction at Workplace

Physical Interaction Index and Work From Home in South Africa, By Sector



- Using O*NET data to bridge into local labour force survey data:
- The Physical Interaction Index, PX_i , has three sub-components: Level of 'physical proximity', P_i ; Level of 'face-to-face discussion' in occupation, F_i ; and reliance on public transport, T_i . Combined as follows:

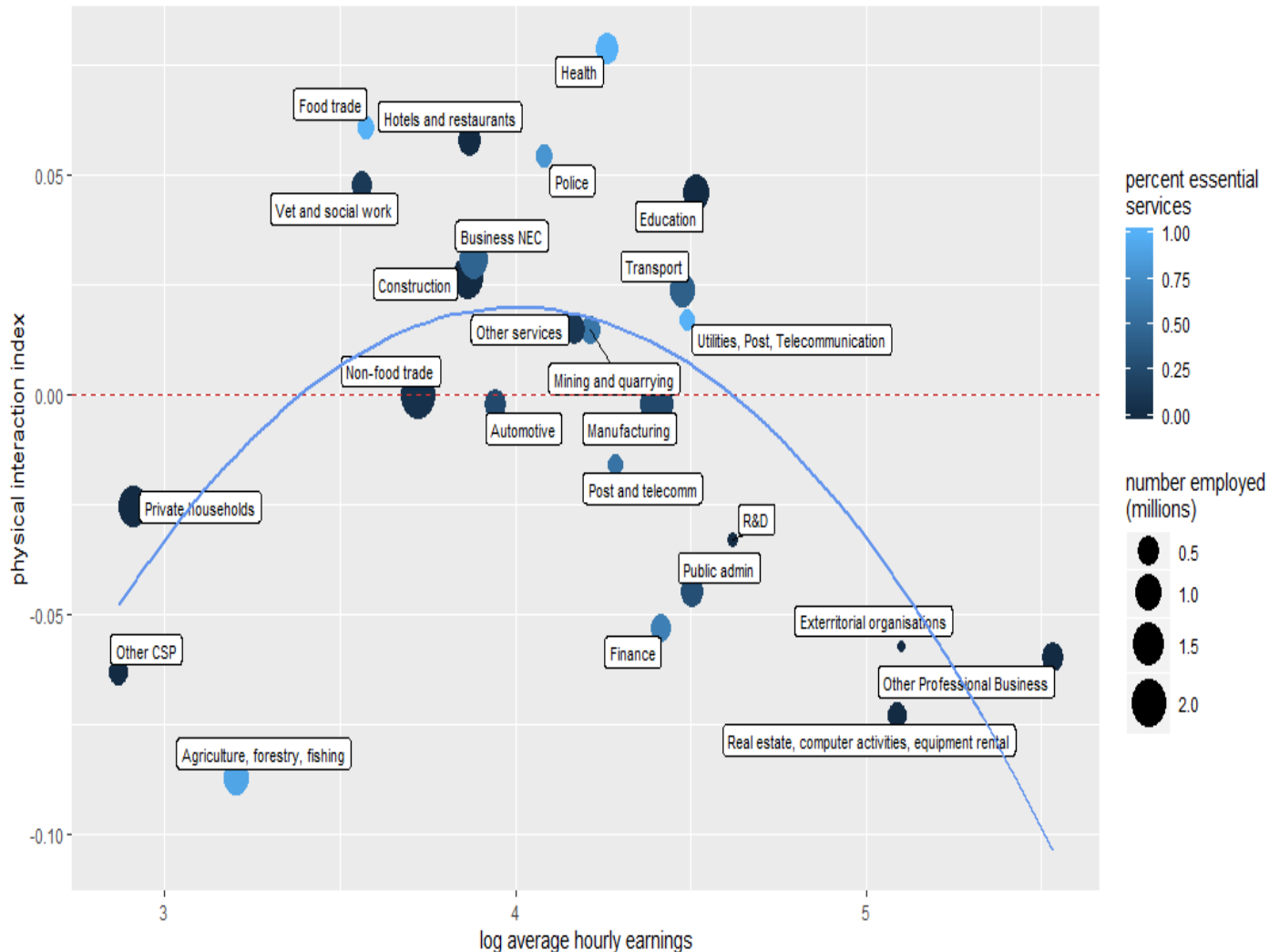
$$PX_i = \left(\frac{1}{3} * P_i\right) + \left(\frac{1}{3} * F_i\right) + \left(\frac{1}{3} * T_i\right), \text{ where } PX_i = [0, 1]$$
- Occupations and jobs in quadrants 2 and 3 are more secure than those in quadrant 4, under pandemic conditions.
- Outside of essential services, *clear that range of semi-skilled urban jobs in education, construction, hotels & restaurants, food trade etc. are highly pandemic-insecure.*

Source: PALMS (2018-19), O*NET and StatsSA Time Use Survey (2010), own calculations; Work from home share estimates from Kerr and Thornton (2020).

Notes: y-line = one third could work from home; x-line = median level of physical interaction; numbers 1-4 label the different quadrants.

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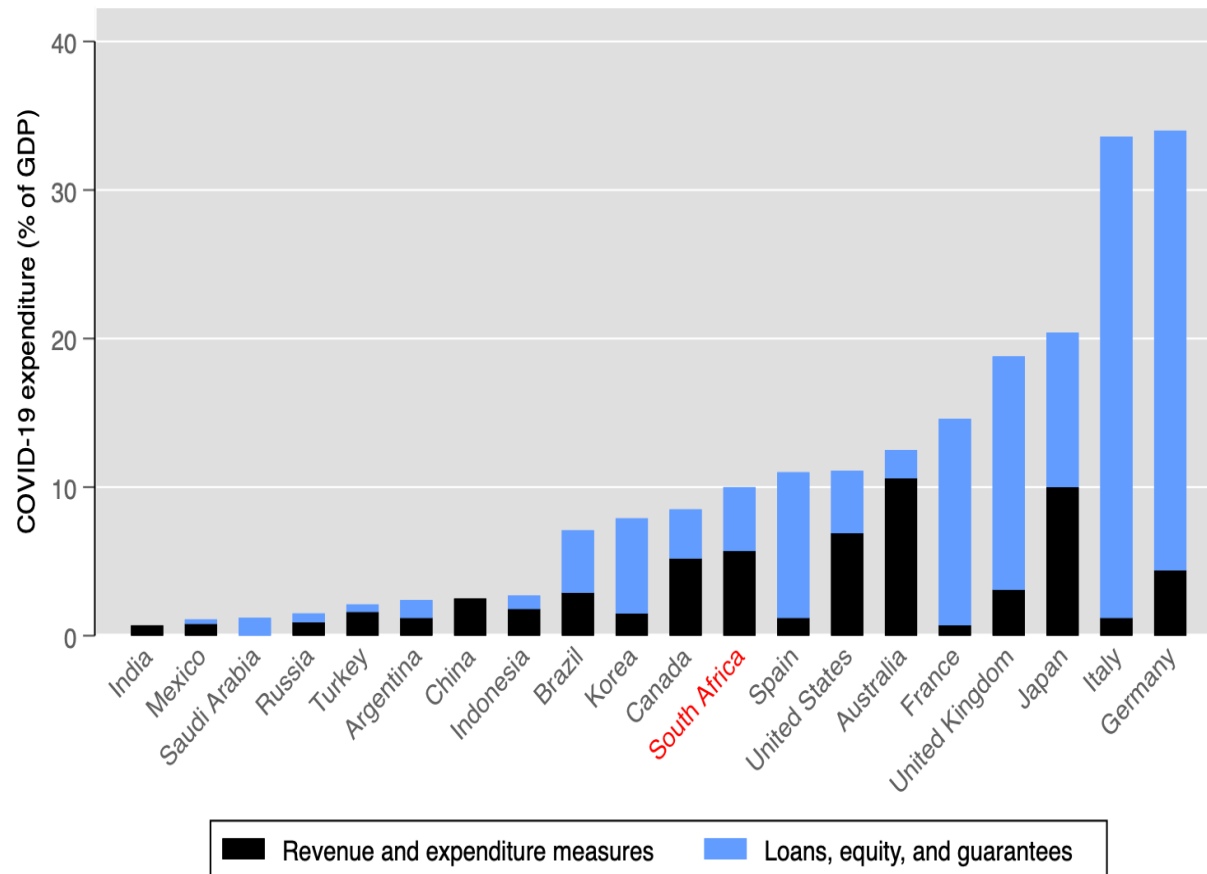
Physical Interaction and Wages in South Africa, by Sector



- If we plot the P_{xi} measure against average wages, clearly non-linear.
- Hence, those jobs in middle of the wage distribution have higher levels of physical interaction and are thus more sensitive to lockdowns or possibly localized break-outs.
- Key point is that in terms of the pandemic, insecurity is non-linear in relation to wage levels or measure of insecurity.

IV: The Macro-Economic Fallout: From Stimuli to Deficits

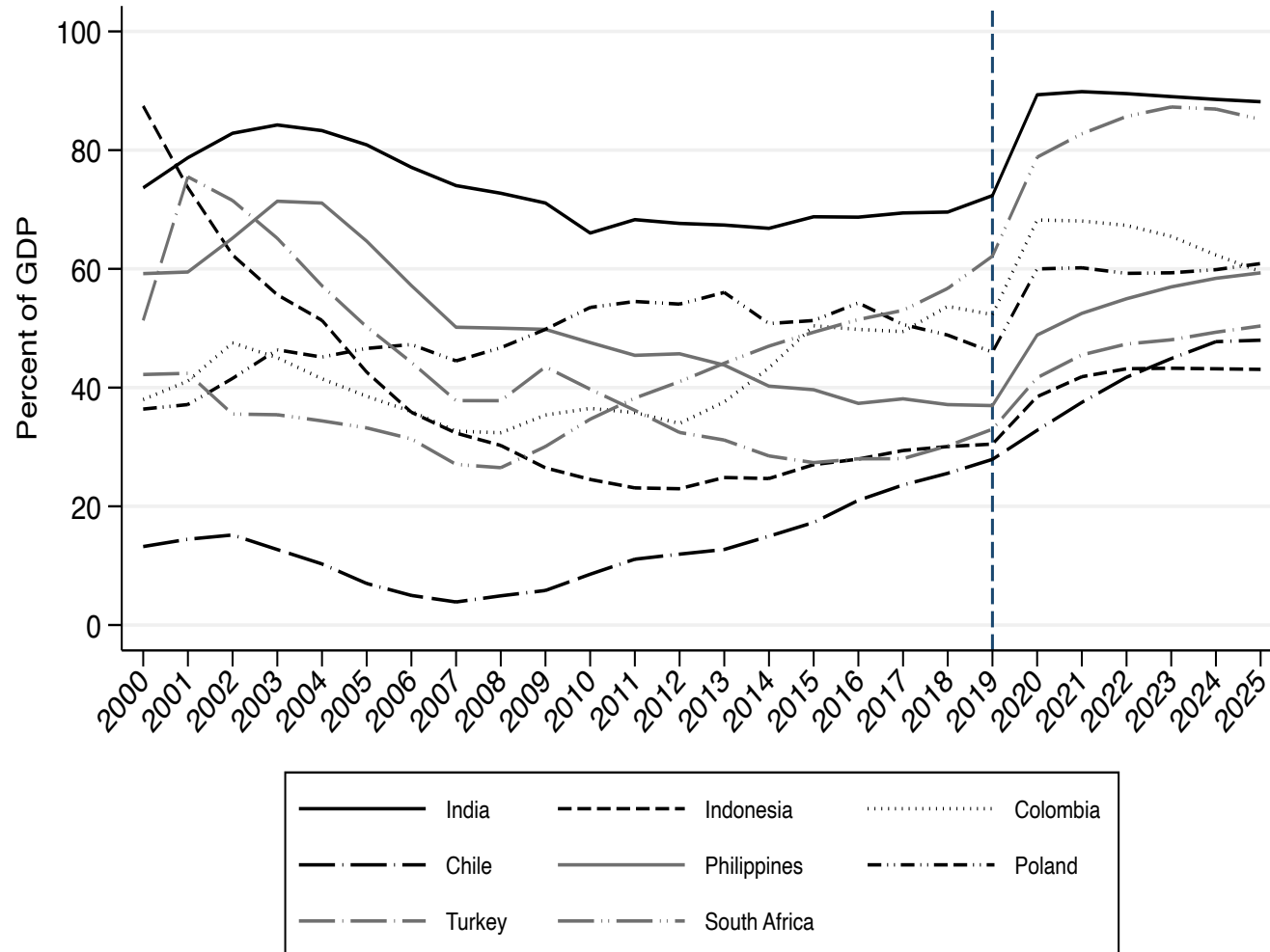
Covid-19 Expenditure as Share of GDP, By Country



- Significant fiscal responses in developed and developing countries.
- Notably much larger Covid-19 stimulus responses as a share of GDP in developed countries.
- Yet greater labour market insecurity outcomes estimated for developing countries

IV: The Macro-Economic Fallout: From Stimuli to Deficits

Debt to GDP ratios in countries with bond purchase programmes (2000-2025)



- Consequence of the stimulus combined with significant economic contraction in developing countries: Severe rise in debt to GDP ratios.
- Management of macro imbalances is critical for developing countries, yet economic insecurity has grown.
 - Can developing countries target sources of economic insecurity, whilst attempting to reduce debt-to-GDP ratios?
- Improved economic security can be achieved through:
 - Specific targeting of vulnerable and insecure cohorts of labour market individuals (those in the 0-z range) most affected by the pandemic.
 - Ensure that revenue collection and associated tax gaps are closed, focusing on those above z who are key to better revenue generation.
 - Improve efficiency of government spending through e.g. lowering Incremental Capital Output Ratios (ICORs), improving cost of welfare provisioning, reducing corruption and wastage.

V: Conclusions

- Clear that labour market insecurity has risen faster in developing countries:
 - Growth in unemployment rates (male and female) greater in developing countries.
 - Hours of work contraction significantly larger in LMI and UMI countries.
- Yet specific developing country outcomes will be more nuanced. Informal employment contraction, semi-skilled employment contraction may be larger in some countries relative to others.
 - Heterogeneity in labour market insecurity outcomes, requires a specific, tailored response.
- Notion of using a policy framework which targets workers based on relative impact on employment (or hours of work) below a specific security threshold.
- Pandemic has brought massive debt challenges in the developing world.
- Key is to combine debt reduction with improved and more efficient welfare-oriented fiscal spending, targeted at closing the massive Covid-19 induced labour market insecurity gaps in the developing world.