



# **GAPS, CHALLENGES AND PROGRESS MADE IN EMPLOYMENT CREATION**

**Inter-agency EGM on implementation of the Third UN Decade for the Eradication of  
Poverty (2018-2027) – Session 4, 26 May 2021**

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# OUTLINE

- A. The impact of the COVID-19 pandemic on labour markets in advanced and developing economies**
- B. Divergent paths to job recovery**
- C. Policy priorities**

# A1. OVER 100 MN JOBS WERE LOST IN 2020, WITH INACTIVITY RISING MUCH MORE THAN UNEMPLOYMENT

► Figure 6. Estimates of the working hours and employment lost in 2020



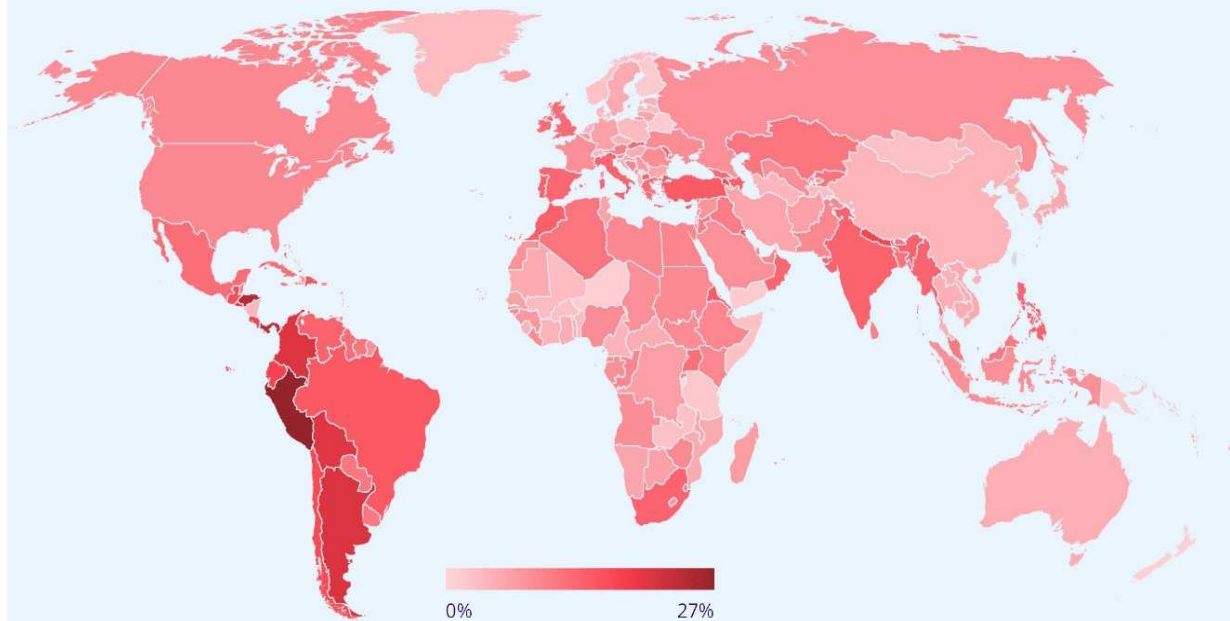
**Note:** Employment loss and changes to unemployment and inactivity are relative to 2019. The shift to inactivity represents the decline in the labour force. Employment losses are transformed into working hours using the actual amount of hours worked, while the FTE estimates use 48-hour working weeks.

**Note:** FTE stands for “Full-time equivalent” jobs (calculations based on a 48-hour working week).

Source: ILO Monitor: COVID-19 and the World of Work, 7th Edition. 25 January 2021,

## A2. A TRULY GLOBAL LABOUR MARKET CRISIS

► Figure 3. Working hours lost around the world in 2020 relative to the fourth quarter of 2019 (percentage)

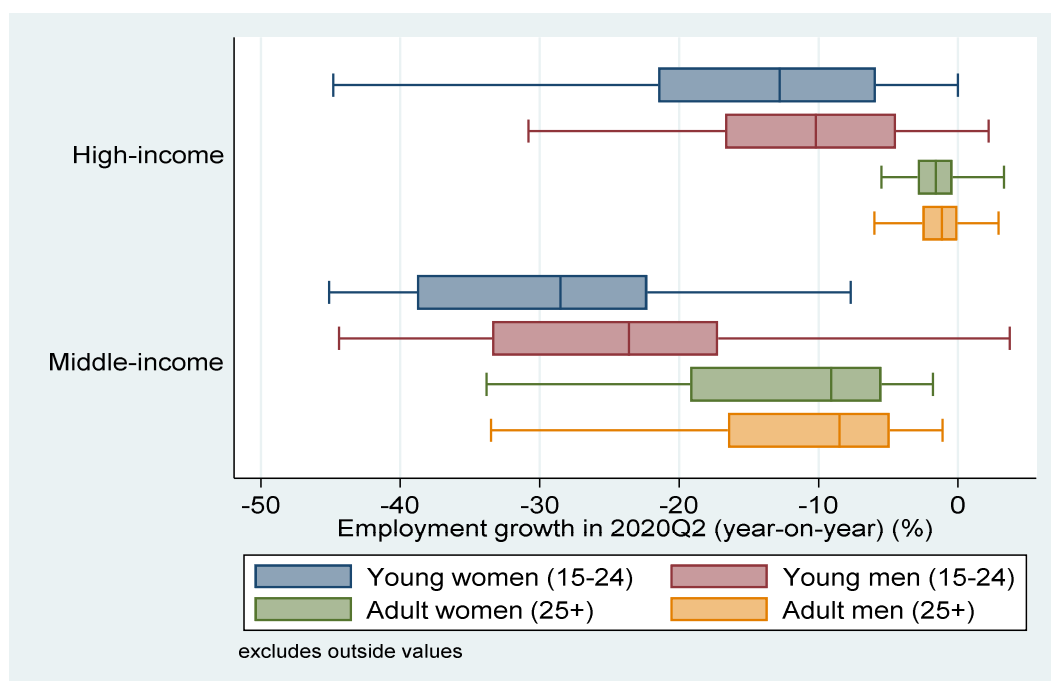


Source: ILO nowcasting model (see Technical Annex 1).

**In countries in all regions, severe labour market disruptions translated into both job losses and reduced working hours (for those who remained employed)**

Source: ILO Monitor: COVID-19 and the World of Work, 7th Edition. 25 January 2021,

### A3. EMPLOYMENT LOSSES WERE MORE PRONOUNCED IN DEVELOPING ECONOMIES, SEVERELY HURTING YOUNG WOMEN AND MEN ...



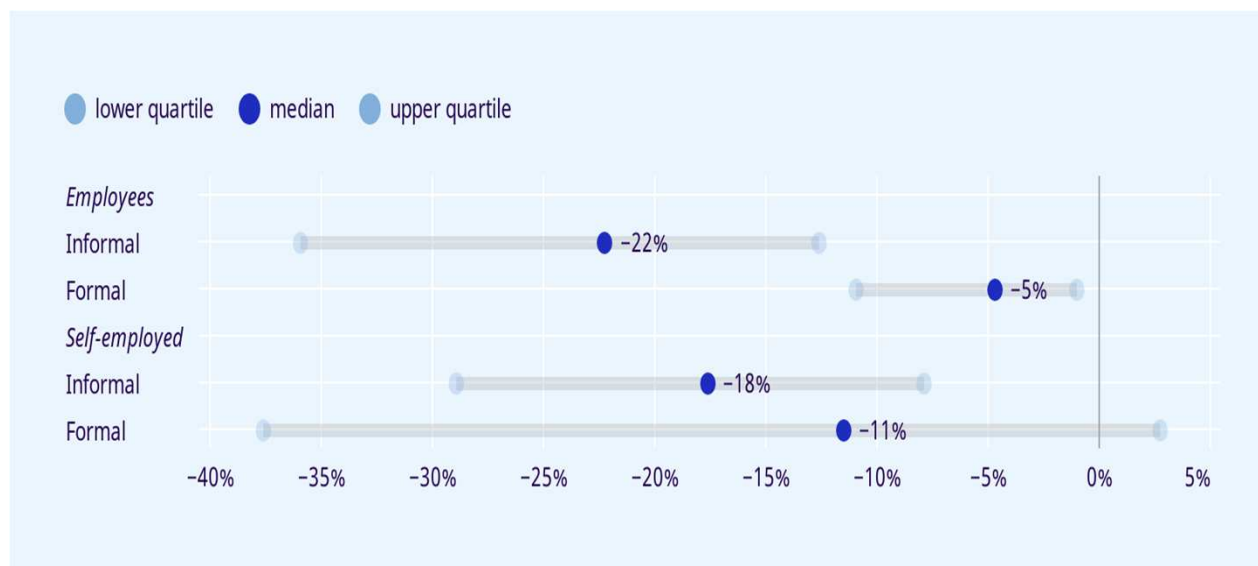
**Change in employment for youth and adults in 59 middle- and high-income countries\* 2020 Q2 (year-on-year) (%)**

Source: ILO Statistical Brief, *An update on the youth labour market impact of the COVID-19 crisis*, forthcoming, May 2021

\* Simple unweighted country averages for which data is available: Argentina (urban and metropolitan areas only), Australia, Austria, Belgium, Brazil, Bulgaria, Canada, Chile, Colombia, Costa Rica, Croatia, Cyprus, Czechia, Denmark, Estonia, Finland, France, Georgia, Greece, Hong Kong, China, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Rep., Latvia, Lithuania, Luxembourg, Macau, China, Malta, Moldova, Rep., Montenegro, Netherlands, New Zealand, North Macedonia, Norway, Occupied Palestinian Territory, Peru, Philippines, Poland, Portugal, Romania, Saint Lucia, Serbia, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, Taiwan, China, Thailand, Turkey, Ukraine, United Kingdom, United States and Viet Nam.

## A4. ... AND WORKERS IN THE INFORMAL ECONOMY

**Change in formal and informal employment by status in selected MICs**  
Year-on-year, 2020 Q2 (%)



Notes: The chart shows the simple median employment growth with respect to the same quarter in 2019 across 12 countries with available data in 2020Q2: Argentina, Brazil, Chile, Costa Rica, Georgia, Mongolia, North Macedonia, Occupied Palestinian Territory, Peru, Serbia, South Africa, Viet Nam. The lower and upper quartile show the value of the 25th and 75th percentile of country observations, respectively.

Source: Calculations based on ILOSTAT harmonized microdata repository

## **A5. MULTIPLE SHOCKS HAD A SIGNIFICANT IMPACT ON JOBS AND INCOMES IN DEVELOPING COUNTRIES**

The effects of lockdowns and containment measures were compounded by:

- ❑ **The sectoral composition of output** - in most middle income countries a large share of employment is in services that are difficult to deliver digitally
- ❑ **Limited fiscal space** - in the absence of government support, contractionary effects in hard-hit sectors could spread rapidly throughout the whole economy
- ❑ **The structure of the labour market** – because of high levels of informal and precarious work and weak social protection, people could not afford not to go to work, at times rendering lockdowns less effective and fuelling contagion. At same time, they were likely to experience wage cuts, reduced incomes and underemployment

## A7. EMPLOYMENT DECLINED LESS IN THE LDCs...

*In Bangladesh*, as of April, an estimated US\$3.15 billion in orders has been lost, affecting 1,136 factories. The drop in demand has resulted with one-in-three factories laying-off workers, affecting more than 2.26 million garment workers. According to another impact assessment of 4,287 randomised interviews, **89.6% of households experienced reduced incomes, with the majority having inadequate food access (94.8%)**

*In Ethiopia*, employment rates **declined** by 7% (April), **rebounded** by 3% (May), **stabilised** at 86% (June-August), and **converged to pre-COVID levels** in September. However, workers have less stable, lower quality jobs. Respondents reporting **household income losses**: 52% (April), 55% (May), 63% (June), 57% (July), 46% (August) and 41% (September)

~~*In Senegal*, an ILO qualitative assessment of 7 sectors in the informal economy (e.g. food industry, trade, and catering, events and leisure) found that **40% of interviewed workers lost their jobs, while 62% faced reduced incomes**. Meanwhile, a rapid assessment based on mobile phone surveys of over 1,000 respondents found that 86.6% experienced reduced incomes because of restrictions put in place resulting from COVID-19~~

*In Sierra Leone*, a randomised telephone survey found that **57% of surveyed employers reported laying-off workers, while 37% reduced working hours**. As of June 2020, the food insecure population reached 63% (compared to 53% last year)

*In Zambia*, one study estimates that 393,433 jobs will be lost in **6 impacted sectors** by the end of 2020, which are mostly concentrated in the informal sector (76%). Consequently, the poverty headcount ratio is expected to increase from 60.3% to 67.1%

...

Source: Parisotto, A.; Elsheiki, A. 2021. "COVID-19, jobs and the future of work in the LDCs: A (disheartening) preliminary account". ILO Working Paper 20. Geneva, ILO



## A6. ... BUT INCOME LOSSES AND SCARRING EFFECTS WERE VERY SEVERE

World Bank harmonized dataset of phone household surveys in 31 developing countries (April-May 2020)

	Respondents who stopped working, either temporarily or permanently, in the aftermath of the pandemic (%)	Households reporting a decrease in total income (%)	Children who did not continue in alternative learning activities as schools closed (%)
Middle income countries (MICs)	43.9 <sup>1</sup>	68.7 <sup>2</sup>	15.5 <sup>3</sup>
Least Developed Countries (LDCs)	26.6 <sup>4</sup>	57.6 <sup>5</sup>	55.5 <sup>6</sup>

**In the LDCs, the decline in employment rates was significant but did not fully capture the extent of the long-term damage on the labour market**

**Decline in incomes are causing a significant increase in poverty and a change in the profile of the poor – more urban, more literate, more non-farm**

1= 20 countries; 2= 15 countries; 3= 17 countries; 4= 11 countries; 5=5 countries; 6= 10 countries

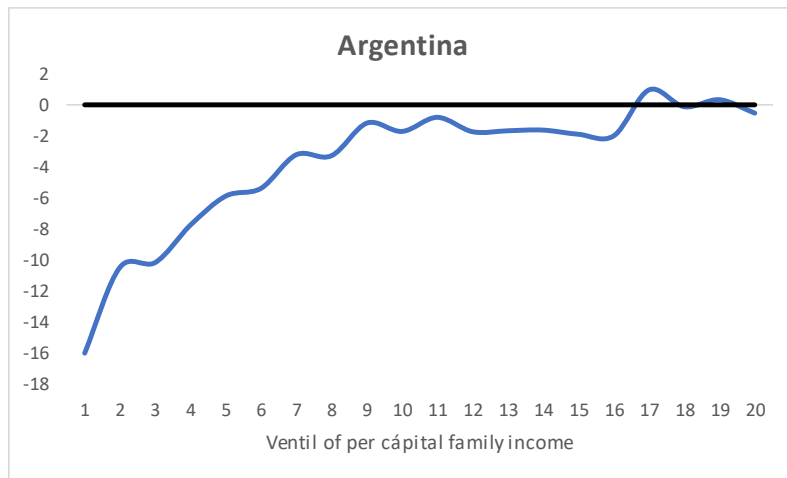
Source: Bundervoet et al., "The Short-Term Impacts of COVID-19 on Households in Developing Countries", World Bank Policy Research Working Paper 9582, April 2021

## A7. ALL COUNTRIES ARE LIKELY TO EXPERIENCE WORSENING INCOME DISTRIBUTION

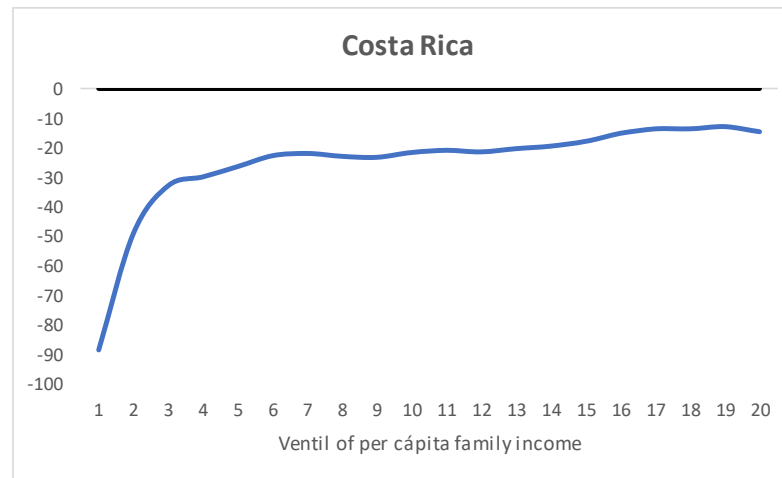
Globally, ILO estimates 108 mn new working poor in 2020 (households with less than US\$3.20 per day)

Preliminary country data show seriously deteriorating income distribution in emerging economies

### Change in real per capita family income between 2019 and 2020, by income ventile (%)



QIV2019-QIII2020



July2019-July2020

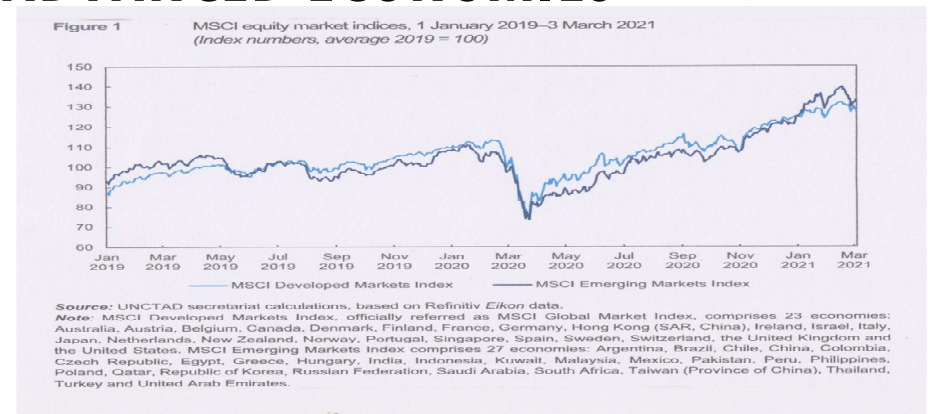
SOURCE: *LABOUR OVERVIEW IN TIMES OF COVID-19*, ILO OFFICE FOR LATIN AMERICA AND THE CARIBBEAN, APRIL 2021

# B1. STRONG MACROECONOMIC SUPPORT AND VACCINES ARE PROMOTING A FAST REBOUND IN ADVANCED ECONOMIES

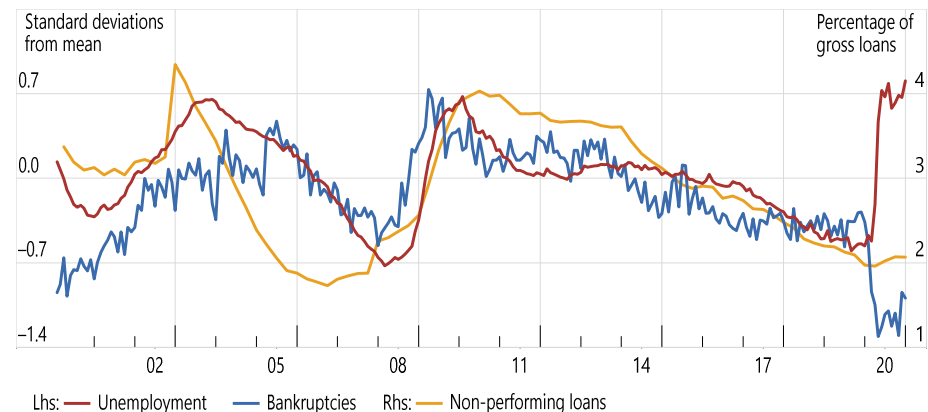
- Buoyant equity markets
- Remarkable financial stability
- Decline in bankruptcies
- Fast rebound in industrial activity
- Accelerated structural change

Large firms are massively investing in telework, digital workplaces, e-commerce, digital platforms, automation and artificial intelligence

Adapting to these trends will be challenging for SMEs and low-skilled workers in both developed and developing countries.



Source: UNCTAD, TDR update March 2021

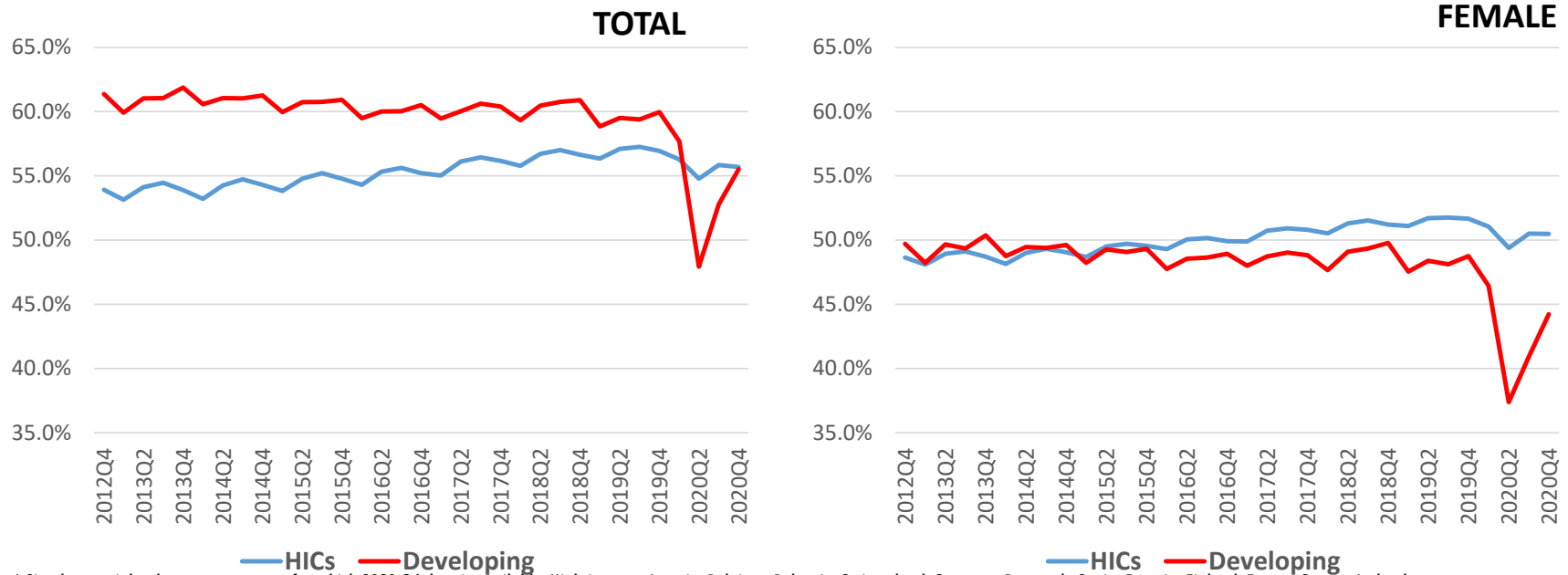


Source: FSB, April 2021

## B2. EMPLOYMENT RATES REMAIN SUBDUED – SDG TARGET 8.5

### Employment rates (2011Q4 – 2020Q4)

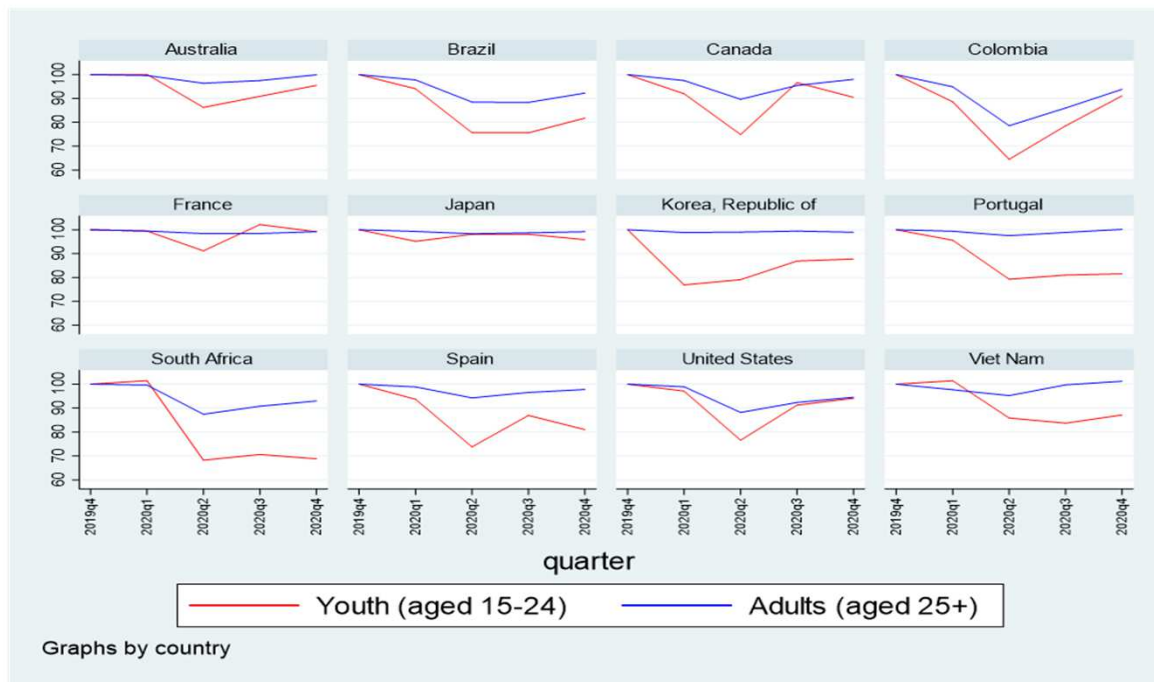
Employment as a share of 15+ year old population



\* Simple unweighted country averages for which 2020 Q4 data is available. High-income: Austria, Belgium, Bulgaria, Switzerland, Germany, Denmark, Spain, Estonia, Finland, France, Greece, Ireland, Iceland, Italy, Netherlands, Norway, Poland, Portugal, Romania, Sweden, Hungary, Slovakia, Slovenia, Croatia, Estonia, Australia, USA, Canada; Developing: Brazil, Colombia, Costa Rica, Mexico, Peru, Turkey, Viet Nam.

## B3. SOME JOB RECOVERY BUT NOT FOR YOUTH

**Employment trends for young people (15-24) and adults (25+) in 2020 (100=2019q4), selected countries**



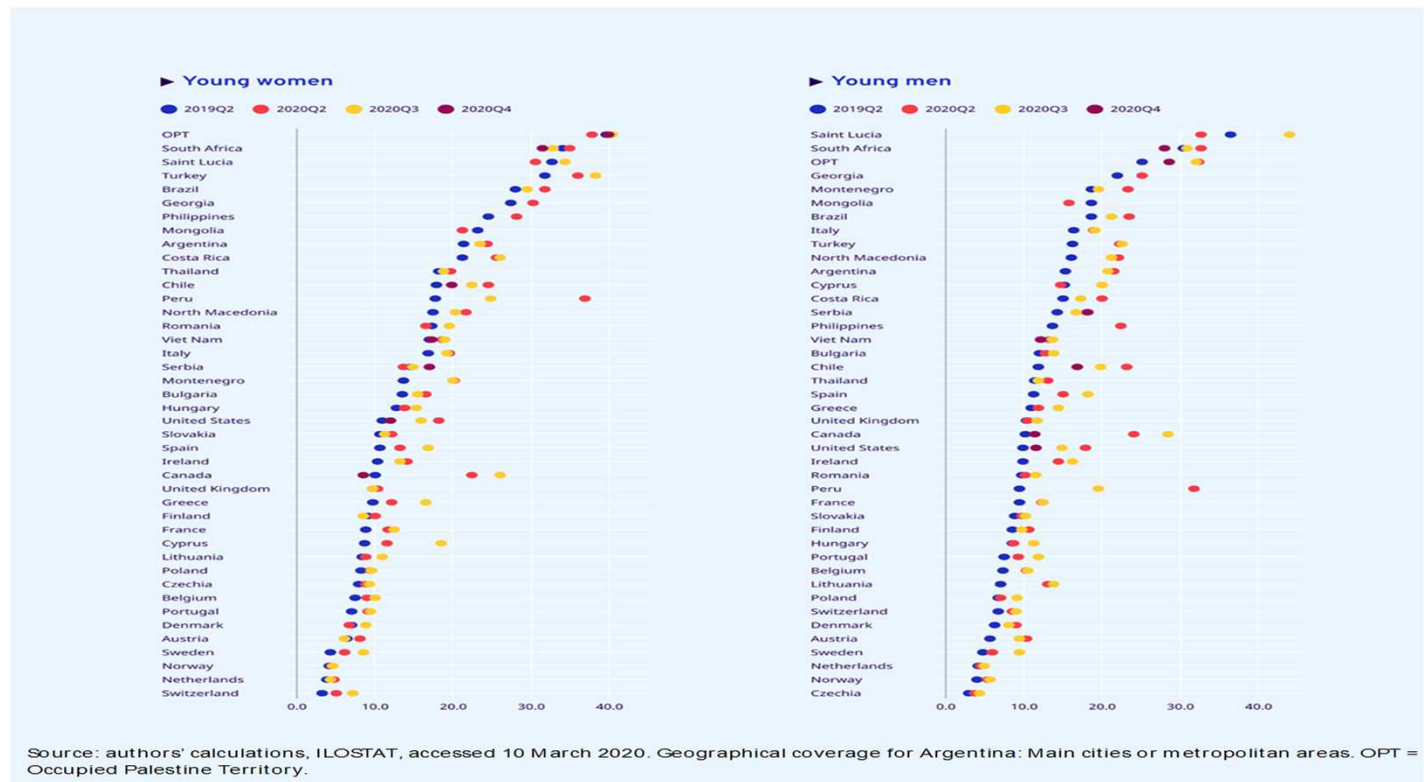
**Large employment gaps come in tandem with the fact that newly created jobs are often of inferior quality**

**Young people in particular are left behind, even where massive employment retention schemes helped contain the decline in employment, (eg, Japan, Korea, Portugal and Spain).**

Source: ILO Statistical Brief, *An update on the youth labour market impact of the COVID-19 crisis*, forthcoming, May 2021

## B4. YOUTH (15-24) NEET RATES INCREASED IN MOST COUNTRIES IN 2020, UNDERMINING EFFORTS TO ACHIEVE SDG TARGET 8.6

Share of youth not in employment, education or training (NEET) (%) in 2019 and 2020, young women and men (15-24)



Source: ILO Statistical Brief, *An update on the youth labour market impact of the COVID-19 crisis*, April 2021

# C1. GLOBAL POLICY PRIORITIES

## FROM THE PROVISION OF UNTARGETED EMERGENCY RELIEF TO NATIONAL STRATEGIES FOR JOB RECOVERY

- ❑ **Fast roll out of vaccines**
- ❑ **Maintain accommodative fiscal and monetary policies in order to sustain recovery**
  - ❖ protect workers in hard-hit sectors, women and young people to mitigate economic and social scars
  - ❖ adjust fiscal support as the economy re-opens; train, retrain and help people move to new jobs
- ❑ **Invest in key sectors that create jobs while paving the way for building an inclusive and resilient economy (green, digital, care and health)**

## **C2. FINANCING THE JOB RECOVERY IN DEVELOPING COUNTRIES**

### **Enhancing domestic fiscal support**

- improving targeting and effectiveness of fiscal measures (employment programmes for youth and women, ALMPs, skills, social protection systems..)
- facilitating transition to formalization while broadening the tax base
- targeted policies to promote structural transformation
- adopting a reasonable fiscal framework to move towards sustainability over the medium-term

### **Addressing gaps in external resources**

- cope with stagnant ODA, declining FDI, uncertain remittances flows, volatile capital inflows and a looming debt crisis ...



### C3. STEPPING UP INTERNATIONAL COOPERATION IS CRITICAL

Emergency response	Return to work and job recovery	Inclusive and sustainable growth
<ul style="list-style-type: none"> <li>• To ramp up vaccines production for wider access</li> <li>• Humanitarian relief</li> <li>• Emergency financial assistance</li> <li>• Debt suspensions (eg G20 DSSI)</li> <li>• Expand the use of Special Drawing Right (SDRs)</li> </ul>	<ul style="list-style-type: none"> <li>• Manage global macroeconomic spillovers (coordinating fiscal stimuli, orderly managing interest rates; currency swaps; mitigating pro-cyclical effects of credit ratings...)</li> <li>• Increase the concessional lending capacity of multilateral institutions and adapt terms and conditionality</li> <li>• Sovereign debt relief and debt restructuring multilateral mechanisms</li> <li>• ODA commitment, including for stronger social protection systems</li> <li>• Avoid unnecessary restrictions to trade, tourism and migration</li> </ul>	<ul style="list-style-type: none"> <li>• Adequate access to development finance and private capital markets in order to attain the SDGs</li> <li>• Counter illicit capital flows</li> <li>• International tax agreements</li> <li>• An open and fair multilateral trade regime</li> <li>• A global framework for migration</li> </ul>

감사합니다 Natick

Grazie

Danke

Ευχαριστίες

Dalu

Thank You

Köszönöm

Tack

Спасибо

Dank

Gracias

谢谢

Merci

Seé

ありがとう

Obrigado