



International
Labour
Organization

COVID-19: Tackling the Jobs Crisis in the Least Developed Countries



Cases of COVID-19 in the LDCs were recorded later than in more advanced regions and have remained relatively subdued, but they continue to increase steadily. The effects on employment and incomes are likely to be exceptionally deep and long-lasting, compromising development prospects and threatening to tear apart the social fabric.[1]



Based on current demographic trends, one-in-five of the youth in the world (persons aged from 15 to 24 years old) will be born in a LDC by 2030. To provide those young women and men with education, training, job opportunities and prospects for a decent life will be essential to a truly global recovery and a better future of work for all.

[1] Source: The Information presented in this document is adapted from: ILO. Forthcoming. "COVID-19 - Tackling the Jobs Crisis in the Least Developed Countries", ILO policy brief, authored by Aurelio Parisotto and Adam Elsheikhi, Employment Policy Department, ILO.

The LDCs experienced contagion later and less severely than advanced countries.

As of November 3rd 2020, they came to account for 981,493 confirmed cases, embodying 2.1 per cent of the global aggregate (table 1). Close to 40 per cent of those cases, moreover, were accounted in one country alone – Bangladesh, with Nepal, Ethiopia, and Myanmar together composing an additional 30 per cent.

These figures are likely to be far less than the reality because of limited testing capacities. Although they increased their testing capacity by 19 times since early May, as of September 30th, LDCs altogether still accounted for 6,811 reported tests per million population. This is in contrast to 63,655 and 224,197 reported tests per million population in the other developing countries and the developed world, respectively.[2]

Table 1 - COVID-19 confirmed cases in the LDCs

	25 March	3 April	3 May	3 June	3 July	3 August	3 September	3 October	3 November
Total number of cases	659	1,751	21,380	113,148	282,956	428,275	602,730	756,740	981,493
% of cases worldwide	0.1	0.2	0.6	1.8	2.6	2.4	2.3	2.2	2.1

Source: WHO Coronavirus Disease (COVID-19) Dashboard

The recorded number of COVID-19 related deaths also suggests that LDCs are relatively unscathed by the pandemic, as they accounted for 1.3 per cent of the global death toll as of November 3rd (16,270 vs.1,204,028).[3] The virus is more deadly among older people and for those with co-morbidities, such as cardiovascular diseases, which are more prevalent in rich countries.[4]

[2] Source: [COVID-19 testing in LDCs – status report of 30 Sep 2020](#).

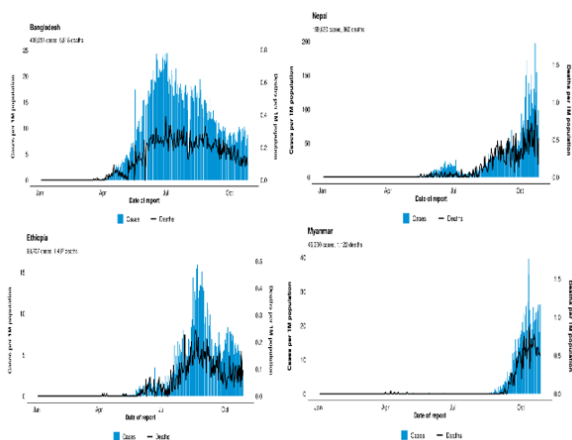
[3] Since historical series are not available for the majority of the LDCs, there are no data on the number of excess deaths, which could be a way to deal with undercounting.

[4] Source: [The Effects of the Coronavirus Pandemic in Emerging Market and Developing Economies: An Optimistic Preliminary Account](#).

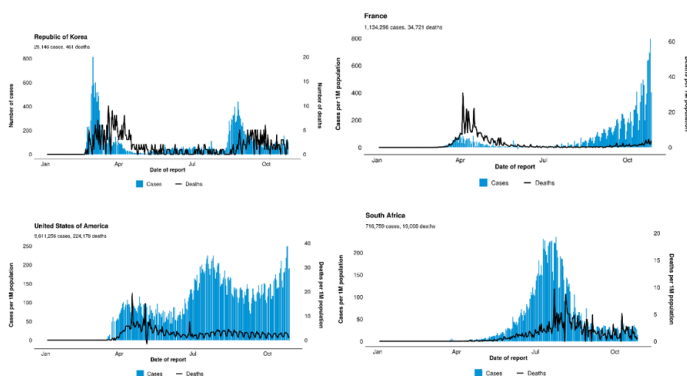
Several LDCs were able to deploy pre-existing strategies and technologies used to counteract other infectious diseases, such as epidemic surveillance during the Sierra Leone Ebola outbreak, or rabies surveillance in Tanzania. Many of the LDCs were shielded from the worst of the pandemic by their limited connectivity and their largely rural and young populations. Those factors helped flatten the COVID-19 contagion curve from the onset. However, even the most affected LDCs have not gone yet through the second and third waves of the pandemic that are affecting countries in the other regions (see figure 1).

Figure 1 - Cases and deaths per million population [5]

LDCs



Advanced and emerging economies



[5] Figure 1 shows the evolution of COVID-19 infections (blue series) and deaths (black series) per million population in the LDCs (i.e. Bangladesh, Nepal, Ethiopia, and Myanmar) and advanced and emerging economies (i.e. the Republic of Korea, U.S., France, and South Africa).

The LDCs responded quickly as the pandemic unfolded.

Most of the LDCs introduced early lockdowns and mobility restrictions similar to those in advanced economies in order to contain the spread of the virus. A few adopted lighter approaches for various reasons, including concerns about limited social protection coverage and/or opposition to complete or partial lockdowns. Many of those who had stricter measures, however, soon chose to amend and ease them recognising the grave economic damage caused for businesses, workers and poorer people.

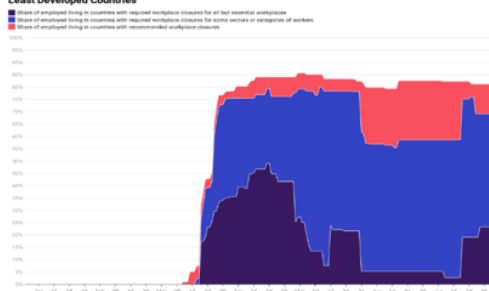
In the LDCs, over 80 per cent of all workers experienced some kind of workplace closures as of July 30th 2020, while over 20 per cent were in countries with required workplace closures for all but essential workers (figure 2). This is lower than the world average. Less severe restrictions were common particularly among LDCs in Sub-Saharan Africa, and the Pacific.

Figure 2: Share of workers with general workplace closures (as of 30 July 2020)

Share of workers in countries with general workplace closures

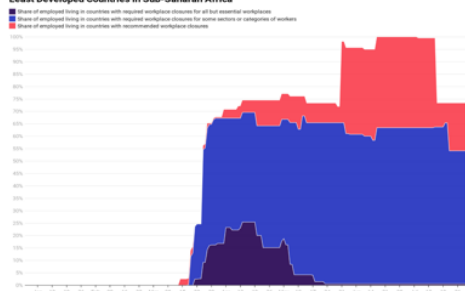
- Share of the world's employed living in countries with required workplace closures for all but essential workplaces
- Share of the world's employed living in countries with required workplace closures for some sectors or categories of workers
- Share of the world's employed living in countries with recommended workplace closures

Least Developed Countries



The share of employed in countries with required workplace closures for some sectors or categories of workers and recommended workplace closures are stacked on top of the share of employed in countries with required workplace closures for all but essential workplaces.
Source: ILO/WHO, ILO monthly estimates, November 2019, and ILO/WHO, ILO September Response Tracker.

Least Developed Countries in Sub-Saharan Africa



The share of employed in countries with required workplace closures for some sectors or categories of workers and recommended workplace closures are stacked on top of the share of employed in countries with required workplace closures for all but essential workplaces.
Source: ILO/WHO, ILO monthly estimates, November 2019, and ILO/WHO, ILO September Response Tracker.

Although the health crisis has been relatively passive, the employment crisis is especially acute.

If the direct impact on public health remained subdued or unseen, multiple shocks are having a dramatic impact on jobs and incomes in the LDCs.

The containment measures adopted at the outbreak of the pandemic, as seen above in figure 2, account for the most direct effect. Restriction of movements, mandated market closures at home and abroad and social distancing especially affected the economic sectors wherein informal, low-productive urban employment is usually clustered – commerce, food, transportation, personal services and domestic work. The agricultural sector was also affected by restrictions to mobility. Workers in those sectors represent the majority of the workforce in the LDCs.

External channels – Even before registering a single case of contagion, most LDCs were suffering from the disruptions caused by COVID-19 to the global economy, with significant job losses in manufacturing, construction, tourism, services, and mining. This has primarily been a result of interruptions in global supply chains, the drying up of tourism, as well as sharp declines in the price of commodities and volume of remittances. Each of those factors are profoundly affecting LDCs' already limited fiscal revenues and fragile current accounts. As the global economy is heading toward a deep recession, a prolonged fall in global demand is an overwhelming challenge. Even those countries that were most successful over the past decade – owing to good governance, focused public investments and a diversified set of exports of goods and services – will find it very hard to recover and regain their sustained rates of economic growth.

Macroeconomic effects – The contractionary effects above are spreading rapidly throughout the economy, given the weak social protection systems that can act as automatic stabilizers and the limited capacity for countercyclical fiscal measures in the LDCs. At same time, widespread uncertainty affects consumption and investment decisions. Viable businesses, especially MSMEs, can be rapidly forced to close. For workers and households, the risk is not just higher rates of unemployment and inactivity, or withheld salaries and wages, but also falling even deeper into informality, underconsumption, hunger and long-lasting poverty.

Indirect public health effects – The indirect effects of the COVID-19 pandemic can be quite significant, for instance, if they lead to fewer vaccinations among children or higher child and maternal mortality due to the disruption of health care services – with long-run implications for growth.

Employment figures only capture part of the labour market damage.

A variety of ex-ante assessments, ad hoc household and business surveys and innovative methods have been introduced to track labour markets as the crisis unravels in the LDCs (see box 1). Overall, they point to job losses disproportionately concentrated in low-skilled jobs. Although mainly in urban areas (i.e. in tourism, construction, manufacturing, restaurants, retail, and transport), rural jobs are also affected, such as those in agriculture and mining.[6]

Women are especially at risk since, on the one hand, they are overrepresented in several labour intensive low-skilled activities, and, on the other, have heightened unpaid care obligations on the backdrop of school and childcare closures.



6] See, for instance, Wieser, C.; Ambel, A.; Bundervoet, T.; Haile, A. 2020. Impacts on Households in Ethiopia: Results from a High-Frequency Phone Survey of Households, Washington, D.C.: World Bank.

Box 1 – Aggregate employment and income impacts in the LDCs

In Bangladesh, one study noted that job postings from the largest online matching sites have fallen by 87 per cent compared to last year.[7] As of June, moreover, a rapid impact assessment showed that 89.6 per cent of Bangladeshi households have experienced a fall in their income, with 94.8 per cent having no or inadequate food stocks, while 34 per cent reported no access to safe and clean water.[8]

In Ethiopia, preliminary evidence indicates that employment rates among 3,000 respondents declined by 7 per cent in April-May, registered a slight rebound of 3 per cent in May-June, and stabilised thereafter (at 86 per cent). Job losses were more significant in transportation, construction and industry in urban areas, while the pick-up was driven by self-employment and casual work in commerce and personal service. Income losses were significant, affecting 55 per cent of the households in April-May, 46 per cent in May-June, and 50 per cent in July.[9]

In Senegal, one study expects modest increases to the unemployment rate (by 0.2 per cent and 0.15 per cent in 2020 and 2021, respectively).[10] An April phone survey, moreover, revealed that 86.8 per cent of respondents experienced a drop in their income.[11]

In Timor Leste, as of July, a survey revealed that 25 per cent of respondents lost their job because of COVID-19. The employment rate was particularly low for the youth (at around 12 per cent). While 56.6 per cent of respondents had no means of income, 37.6 per cent of households were affected by moderate or severe food insecurity. In Uganda, a preliminary assessment suggests that the short-term economic impacts of COVID-19 could lead to business closures affecting millions of Ugandan workers, most of whom reside in the informal sector (90 per cent). These effects are expected to increase the number of poor people by an additional 2.6 million.[12]

In Yemen, too, job and income losses have been significant: a survey revealed that 40 per cent of formal workers have lost their jobs, while 79 per cent of respondents reported a reduction in their income of at least a fifth.[13]

The estimated loss of working hours is lower in low-income countries compared to other regions of the world (-13.9 per cent vis-à-vis a world average of -17.3 per cent from 2019Q4 to 2020Q2). Out of economic necessity, many workers in low-income countries were forced to maintain their working routines, which is especially true for the self-employed, daily wage labourers and low-skilled workers. Not least because the nature of their work required physical proximity to others and teleworking from home is not an option.

[7] Source: [COVID-19 Impact on Job Postings: Real-Time Assessment Using Bangladesh and Sri Lanka Online Job Portals.](#)

[8] Source: [COVID-19: Rapid Impact Assessment Bangladesh.](#)

[9] Source: [Monitoring COVID-19 Impacts on Households in Ethiopia: Results from a High-Frequency Phone Survey of Households.](#)

[10] Source: [Impact socio-économique de la pandémie de la covid-19 au Sénégal.](#)

[11] Source: [Five Findings from a New Phone Survey in Senegal.](#)

[12] Source: [Socio-Economic Impact of COVID-19 in Uganda.](#)

[13] Source: [COVID-19 Impact Assessment Report – Yemen, July 2020.](#)

The income channel may more adequately capture the negative impact. A common result across the different studies and surveys is that the crisis has led to significant lost earning and reduced incomes, affecting as much as 80-90 per cent of surveyed respondents – e.g. Bangladesh, Senegal, Timor Leste, Uganda, and Yemen.[14] The lack of social production, no paid sick leave, little personal savings, and no access to credit markets leaves those workers without any shelter, multiplying the negative effects of the recession. This forces people into negative coping strategies, such as cutting down on consumption to the bare minimum, taking out predatory loans from informal moneylenders, or, in extreme cases, theft and child labour.

The rapid introduction of fiscal and monetary measures is a commonality between advanced economies and the LDCs ... Like advanced economies, most LDCs rushed to adopt fiscal packages designed to tackle the health emergency, provide emergency lifelines to vulnerable households, and support businesses (see table 2, phase 1). The standard bundle included:

- i) targeted investments to strengthen the health system;
- ii) the expansion of social assistance to the most affected, mainly including cash-transfers and in-kind necessities; and
- iii) supporting the private sector through tax relief, suspension of government fees and waived social contributions.

Attention was also paid to targeted support to highly exposed sectors, such as transportation, accommodation, and tourism (e.g. Benin, Bangladesh, Burkina Faso, CAR, Guinea, Lesotho, Madagascar, Malawi, Mauritania, Mozambique, Sierra Leone, Senegal, Togo, and Uganda). Subsidized access to agricultural inputs was provided in some cases (e.g. Gambia, Rwanda and Togo). In other cases, medicine and medical equipment were exempted from paying import duties (e.g. Madagascar and Malawi).

To reach out to the large numbers of workers in the informal economy who were hit by the crisis was one major challenge. Most countries broadened and topped up existing cash transfers programmes. Some countries have used this time as an opportunity to reduce informality and have coupled access to emergency micro-loans with measures for formalisation of small economic units. For formal workers, wage subsidies were introduced in some cases, often conditional to employment retention, while a few countries made use of cash for work and labour-intensive public works programmes. Innovative solutions were also searched for, and existing technologies have been exploited (e.g. mobile cash-transfers).

[14] Sources: World Vision. 2020. Rapid impact assessment in Bangladesh, London; Nestour, A.; Moscovitz, L. 2020. Five findings from a new phone survey in Senegal, Centre for Global Development; UN. 2020. Socio-economic impact assessment of COVID-19 in Timor Leste; Aguta et al. 2020. Monitoring COVID-19 Impacts on Households in Uganda: Findings from the First Round of the High-Frequency Phone Survey (English); Norwegian Refugee Council. 2020. COVID-19 Impact Assessment Report.

Monetary policy responses were also fast and generally included reducing the policy rate, providing liquidity to the commercial banks and relaxing reserve requirements or mandatory deposit limits. In some cases, commercial banks and micro-finance institutions or national development banks were used as a vehicle to help SMEs restructure their loans and access guarantees or moratoria on their debt service. Here, too, mobile-based solutions were used in some countries, e.g. refinancing schemes to pay furloughed workers through mobile financial services, or the waiving of fees on mobile money transactions to encourage cashless transactions.

...while a point of departure is the size of these packages. The size of economic support varied significantly across LDCs. Overall, it was far below the average of other income groups and largely out of keeping with the expected decline in GDP or the loss in labour incomes. Only a handful of LDCs could afford support measures over 5 per cent of GDP (Cambodia, Lesotho, Mozambique, Senegal, and Timor-Leste). Moreover, new discretionary expenditures were just a portion of the budget allocated to the COVID-19 response in the LDCs. Many countries reallocated expenditures away from capital spending or reduced the public sector wage bill, at the cost of undermining prospects for recovery and future economic growth.

On average, on-budget support in low-income countries was 1.4 per cent of GDP (of which 0.6 per cent for the health sector) compared with 3.4 per cent and 7.9 per cent in emerging and advanced economies. In the aggregate, of the global fiscal support estimated at about \$10 trillion in June 2020, almost 90 per cent was accounted for by high-income economies and only 0.03 per cent by low-income economies.[15].

Sustained international support is critical to tackle the economic and employment impacts of the pandemic in the LDCs. The lack of fiscal space accounts for a main constraint to effectively tackling the employment and economic damage of the pandemic. This constraint is compounded as fiscal accounts are under pressure from the decline in revenues at the same time as lower foreign exchange earnings place pressure on the balance of payments and debt levels. As LDCs can hardly borrow in their own currencies, and are relying on imports of many essential goods and services, external constraints are particularly constrictive. Valuable assistance has been made available from the multilateral institutions and the G20 countries but much more is needed. Looking forward, and if the crisis drags on, far more bilateral and multilateral support and new financial facilities will be essential to help LDCs fund their responses at each of the different stages of the pandemic crisis (see table 2).

[15] Source: ILO. 2020. ILO Monitor: COVID-19 and the world of work. Fifth edition Updated estimates and analysis, ILO: Geneva.



A job-rich recovery and beyond.

There is much LDCs' governments, employers and workers can do to promote a job-rich recovery and beyond. Table 2 provide a matrix of possible measures in different policy areas. The exact policy content will differ across countries according to their economic and institutional features – and not in all LDCs, it will be possible to achieve a smooth and fast transition out of the pandemic to greater resilience and prosperity. States in conflict and post-conflict situations may need large amounts of humanitarian assistance. Countries with a functioning state, a burgeoning private sector and vibrant civil society might be better able – with appropriate international support – to make more progress. What could help cope successfully with the current set of extraordinary challenges is a more inclusive and effective policy process. Five elements, based on the ILO experience in assisting LDCs, could help improve country policy design and implementation:

- **National plans** to restart the economy and promote a job-rich recovery (1–3 years);
- **A whole-of-government approach** – utilising and coordinating expertise and resources from different ministries and agencies, thereby creating synergies, critical mass and fiscal savings;
- **Targeting the numbers and quality of jobs** – to facilitate monitoring, gain political traction to the recovery packages and identify gaps (with a particular focus on women, youth, and informal workers);
- **Productive transformation as a critical underpinning** – through strategic interactions between public agencies and private sectors, with new networks of labour market policies and services, training and other institutions as key facilitators;
- **A broad and open participatory approach** to strategy design and policy implementation – involving social dialogue and stakeholders to agree on key priorities, gain buy-in to implementation and improve accountability.

Looking beyond recovery, countries will need to take a hard look and review their development strategies, targeting their investment in infrastructure, capacities and institutions to take better advantage of employment opportunities within local and regional production systems, from IT-enabled grassroots innovations and entrepreneurship and from emerging sectors such as the green and digital economy as well health and care services.

Table 2 - Economic and employment responses to COVID-19 in the LDCs

Policy Areas	Phase 1: Emergency response	Phase 2: Return to work	Phase 3: Recovery and resilience
MAIN OBJECTIVE	Containing the pandemic, lifelines for vulnerable households and businesses	Opening up workplaces and restarting economic activity	Investing in productive capacities, inclusive institutions and decent work
Health measures	<ul style="list-style-type: none"> Lockdowns and other containment measures Public information campaigns Procurement of critical medical supplies Protecting health care workers and services 	<ul style="list-style-type: none"> Temporally and geographically targeted containment measures Capacity for testing, tracing, isolate and care at hub points Clear messaging on social distancing and subsidized provision of masks, hand washing stations and sanitizers OSH measures at the workplace 	<ul style="list-style-type: none"> Large vaccination campaigns Improved access to health care for all workers and their families Ensure occupational safety and health (OSH) standards are respected in all workplaces
Macroeconomic support	<ul style="list-style-type: none"> Emergency fiscal support for health and social protection Reallocating public spending Accommodative monetary policies Solidarity and emergency funds 	<ul style="list-style-type: none"> Maintain accommodative fiscal and monetary policies (eg higher tolerance for inflation and deficit targets) Improve administrative efficiency and transparency of public expenditure Enhance tax collection and broaden the tax base (including through formalization of informal businesses) Capital and price controls, if necessary (eg foodstuffs or illicit capital flows) 	<ul style="list-style-type: none"> Macro policies for full employment and reasonable price stability Public and private investments in infrastructure, skills development and innovation Promote the participation in regional trade networks and supply chains
Sectoral policies and support to businesses	<ul style="list-style-type: none"> Grants, loan guarantees and financial support to businesses, targeting MSMEs and most-affected sectors (e.g. tourism) Tax waivers and postponement of payments Subsidize fertilizers and other key agricultural inputs Cash-less and mobile payment systems 	<ul style="list-style-type: none"> Stimulate local sourcing of medical equipment and food supplies Help businesses adapt products and services to the requirements of social distancing (eg promoting e-commerce) Improve access to credit for MSMEs via development and commercial banks Assist informal businesses in transitioning to formalization Promote digital services, mobile payments and cashless transactions 	<ul style="list-style-type: none"> Support new and growing sectors, e.g. shift to green technologies, digital economy Business environment reforms and measures to improve productivity and working conditions in MSME, including for those in the informal economy Area-based employment and development programmes Invest in the care economy to create jobs and address gender inequalities
Income support for workers and households	<ul style="list-style-type: none"> Expansion of existing cash transfers schemes, in-kind support and other transfers to vulnerable households and workers including in the informal economy Waivers of electricity bills and other payments 	<ul style="list-style-type: none"> Maintain support, including exceptional measures, to uphold incomes and consumption of the poorest groups Enhanced access to paid sick and care leave 	<ul style="list-style-type: none"> Solid social protection floor, providing a minimum set of basic guarantees, with participatory mechanisms for design and accountability
ALMPs, skills and labour market institutions	<ul style="list-style-type: none"> Shift to online learning and exceptional measures to minimize disruptions to technical and vocational education and training and work-based learning 	<ul style="list-style-type: none"> Employment-intensive public employment programmes (PEPs) and hiring subsidies to support those hard hit by the crisis (youth, women) Address key skills gaps in line with the reopening of workplaces and changes in demand Enhanced employment services, including via online services and facilities to re-employ return migrants 	<ul style="list-style-type: none"> Maintain a portfolio of scalable PEPs to target vulnerable groups and stand ready to respond to economic shocks Strengthen and scale up employment services Labour market institutions, including minimum wages, employment protection and telework regulations Reshaping skills development systems
International assistance and cooperation	<ul style="list-style-type: none"> Joint action to ramp up the production of medical equipment and supplies for wider access Increased humanitarian support Emergency financial assistance Debt suspensions Expand the use of Special Drawing Right (SDRs) 	<ul style="list-style-type: none"> COVID-19 Vaccine Global Access Facility Global Partnership for Universal Social Protection Increase the concessional lending capacity of multilateral institutions and adapt conditionality Sovereign debt relief and debt restructuring multilateral mechanisms Staving off predatory risk premia Avoid unnecessary restrictions to trade and migration Safe corridors for international/regional tourism 	<ul style="list-style-type: none"> Adequate access to development finance and capital markets in order to attain the SDGs Fight illicit capital flows Maintain an open and fair multilateral trade regime A global framework to govern migration

Source: Authors, based on ILO, national employment policies for an inclusive, job-rich recovery from the COVID-19 crisis, Policy Brief, September 2020