

The labour market impact of COVID-19 and the implications for employment recovery

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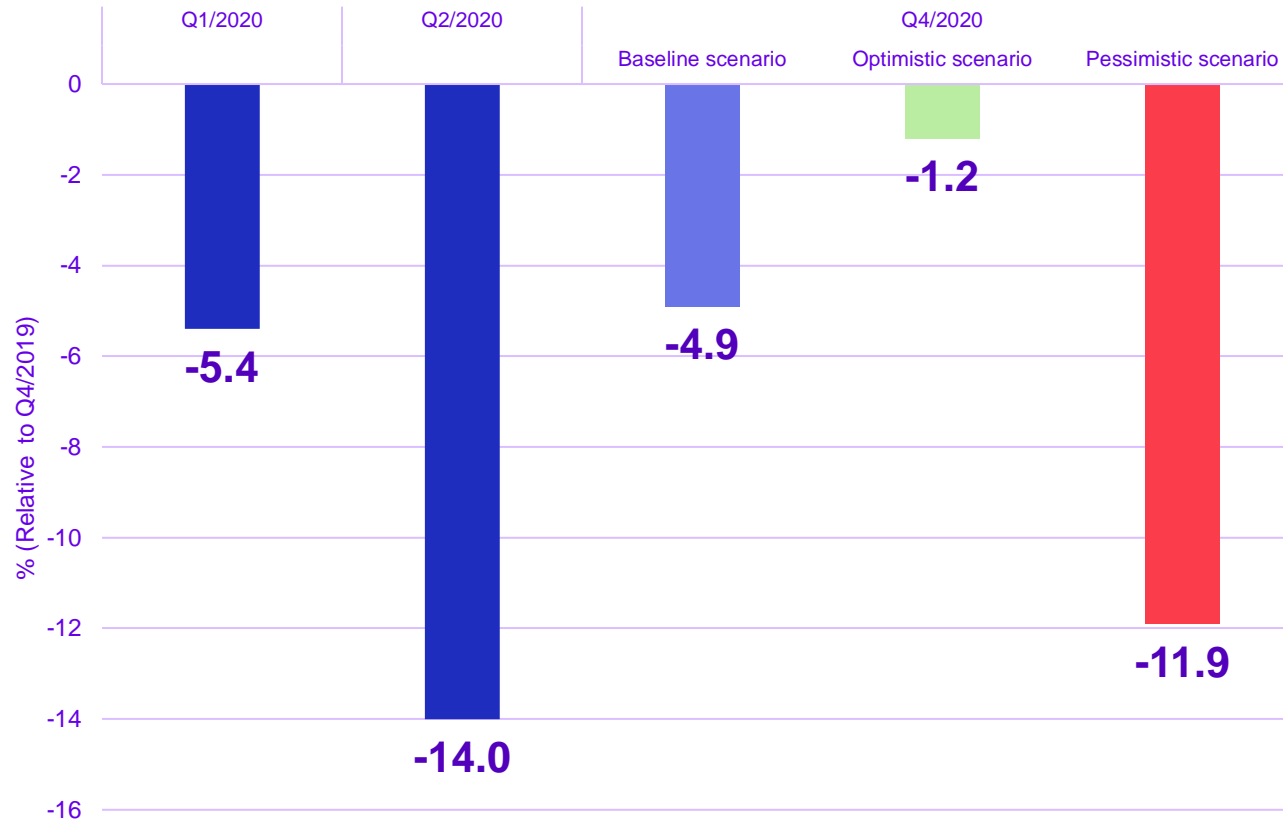
A global recovery in working hours is not there yet

Compared to one month ago, the latest ILO estimates indicate a much larger loss in working hours in G20 countries during the first half of 2020 – from 11% to 14% relative to the last quarter of 2019. This reflects the deteriorating situation in recent weeks, especially in emerging economies.

	A. Percentage hours lost (estimated on 17 May 2020)	B. Percentage hours lost (estimated on 26 June 2020)	C. B - A
G20	11.1%	14.0%	+2.9%
G20: Advanced economies	12.6%	14.2%	+1.6%
G20: Emerging economies	10.7%	13.9%	+3.2%

Source: ILO nowcasting model, see ILO Monitor: *COVID-19 and the world of work. Fifth edition, Updated estimates and analysis*, 30 June , Technical Annex 1

The outlook for 2020 is highly uncertain – Our baseline scenario suggests a global working hours gap of 4.9% ³

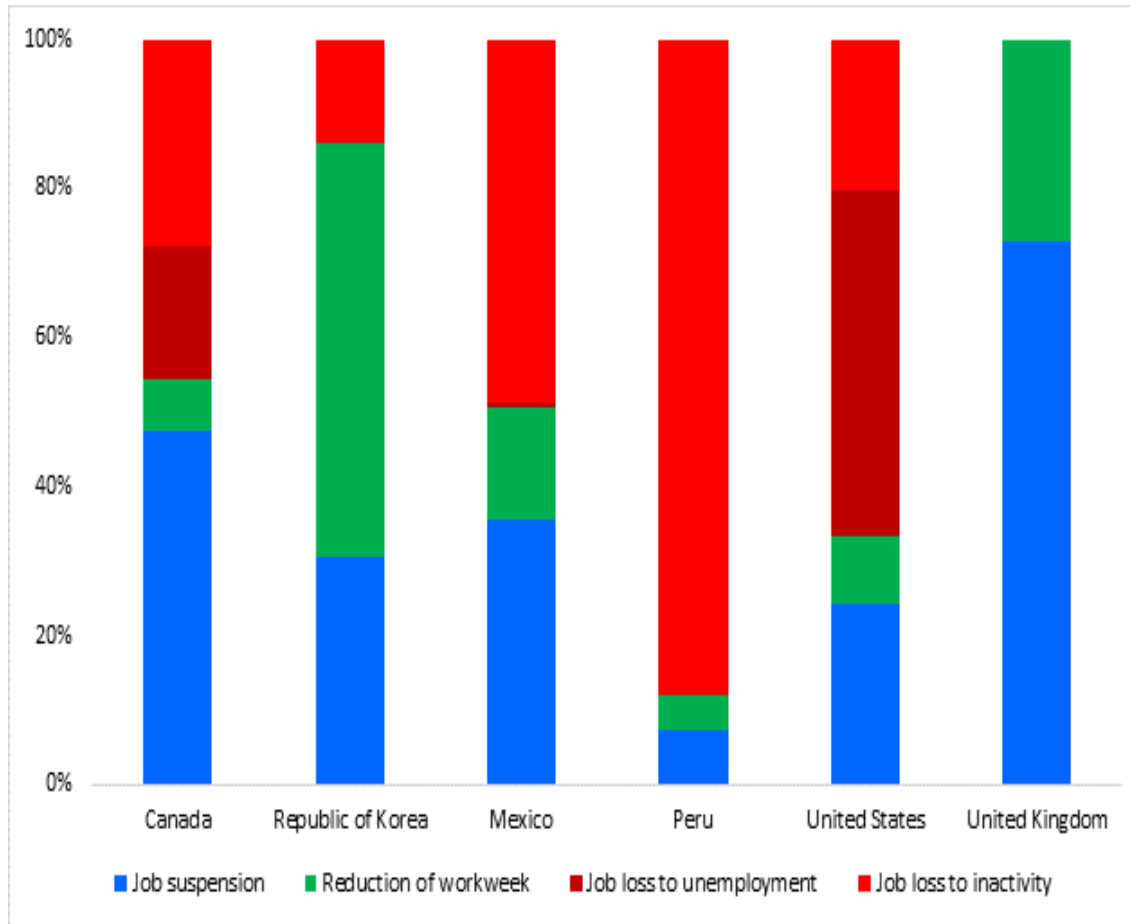


This would be the equivalent of **140 million** full time equivalent jobs (assuming a 48-hour working week)

Even in a wildly optimistic scenario – there are no second waves and employment recovers more rapidly than output - labour markets are likely to be far from fully recovered by the end of 2020.

The increase in global unemployment from 2007 to 2009 was estimated to be 34 million people

Unemployment rates do not tell the whole story



Working-hour losses, as estimated by the ILO nowcasting model, are an aggregate indicator of the labour market impact of the COVID-19 crisis.

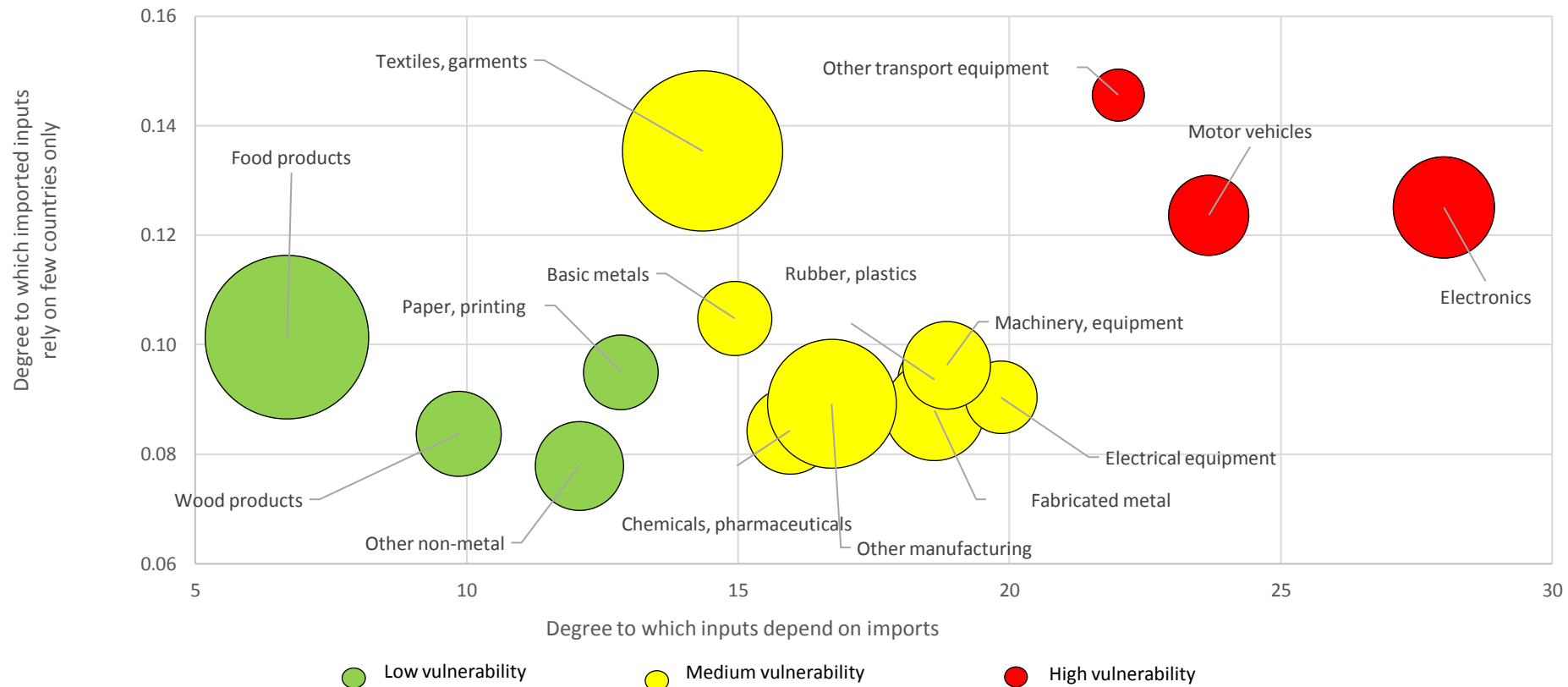
Decomposing the reduction in working hours for six countries for which suitable information as available for April 2020 shows that a narrow focus on unemployment does not allow one to gauge the actual full impact on the labour market.

In emerging economies, in particular, the effect has been a major increase in the number of the inactive.

The difference between inactivity and unemployment has been blurred by the crisis. Searching for and being available to take on a new job – both requirements criteria for that must be met to qualifying as unemployed – are often prevented by lockdown measures, causing many “unemployed” to be considered as “inactive”.

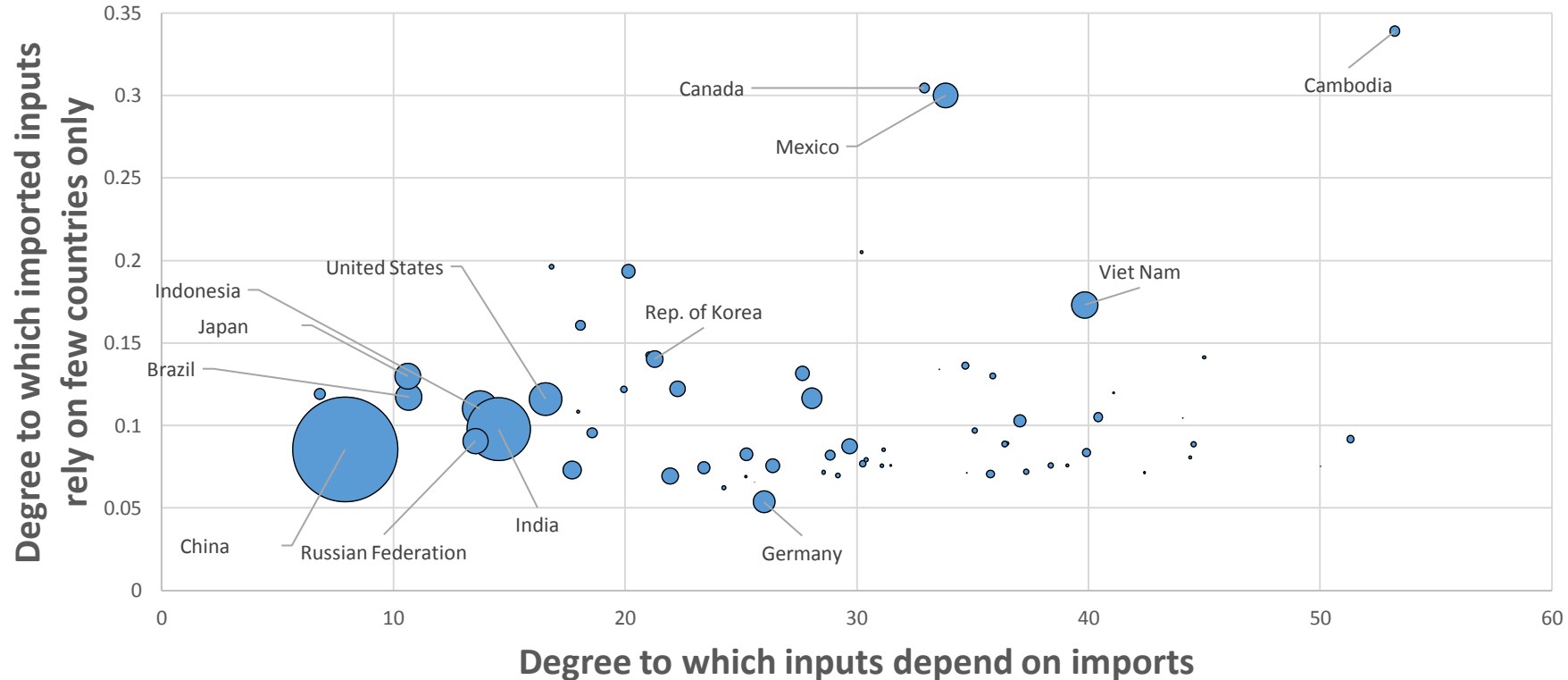
Notes: (1) The data for Peru refer only to Lima and its metropolitan area;. (2) For the United States (BLS), we take the employment/unemployment definition of the Bureau of Labour Statistics BLS; (3) for the United Kingdom, data from the last week of March are used because April data are not yet available

Global manufacturing employment by sector and dependency on imported inputs



Note: The size of the bubbles shows employment in the sector. The horizontal axis shows the degree to which inputs depend on imports, indicating to what extent the use of inputs could be disrupted by workplace closures implemented in foreign countries. It is measured for **64 countries from the OECD's inter-country input output database**. The vertical axis shows the degree to which imported inputs are sourced from few countries only. See ILO Policy Brief, *COVID-19 and global supply chains: How the jobs crisis propagates across borders*, Annex 1 for details.

Manufacturing employment in some countries is particularly vulnerable to disruptions in the supply of imported inputs



Note: The size of the bubbles shows total manufacturing employment in the country. See ILO Policy Brief, *COVID-19 and global supply chains: How the jobs crisis propagates across borders*, Annex 1 for details.

- ▶ **1. Stand ready to a large and long-lasting labour market slack** – Need to high-pressure the economy through public investment in sectors that are critical to the sustainable jobs of the future, while supporting skilling and re-skilling and supply adaptation.
- 2. Ensure fair labour market outcomes** – Adequate social protection will enhance macroeconomic confidence by supporting groups with high levels of consumption and fostering social cohesion. In addition, appropriate safety and health measures at production places, retail shops and other businesses will be critical to restore confidence of consumers and investors. Strengthening occupational safety and health, adapting work arrangements, and providing access to health and paid leave, are indispensable - including for workers in the informal economy and those in non-standard employment.
- 3. Strengthen international cooperation** – On macroeconomic policies, trade, taxation, research on Covid-19. Measures are specially needed to assist middle and low-income countries with limited fiscal space. Humanitarian assistance and international support, especially for social protection, will also be critical to millions of people in the poorer nations.