



POLICY BRIEF

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THE WORLD OF WORK IN THE TIME OF **CORONAVIRUS**: A HAEMORRHAGE OF JOBS AND CHANGES IN VIEW

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Summary

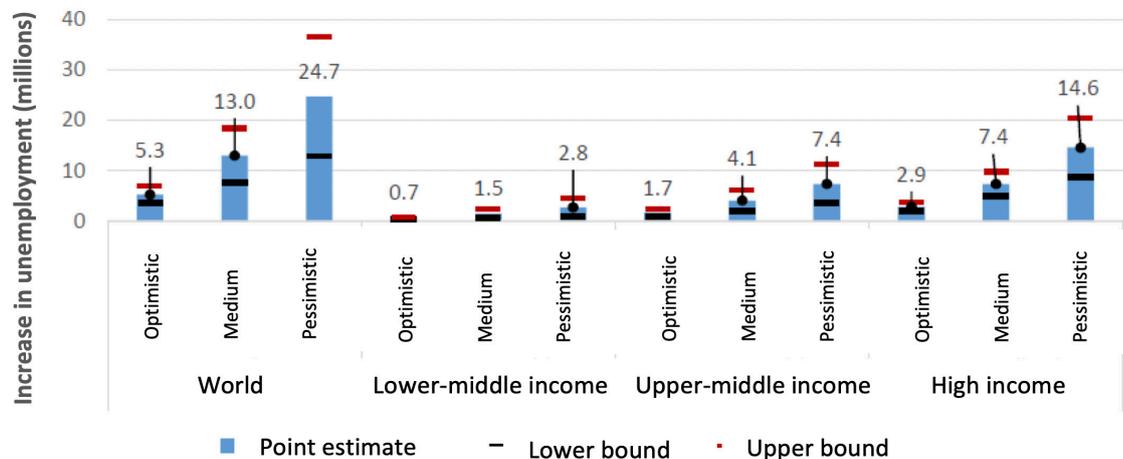
The labour market is being hit hard by the consequences of the damage caused by the novel Coronavirus. Out of the 3.3 billion employed working people in the world, more than 4 out of 5 are affected by the total or partial closure of workplaces, according to the International Labour Organization (ILO). In this paper, we will examine, in detail, the situation of the global labour market in the context of the crisis, before discussing the major changes expected in the world of work and the main lessons to be learned.

The upheavals brought about by the advent of the coronavirus pandemic have brought questions about the future of the labour market back to the forefront, questions that have always emerged during bad economic times accentuated in the most obscure economic episodes. The same applies to the reflections on these questions. They point to both short- and long-term impacts, ranging from cyclical reactions of employment, unemployment and underemployment to the most hysteretic and complex changes in productive organization. The current shock is no exception to this logic. This Policy Brief is an attempt to explain how.

I. Impact of Covid-19 on global unemployment and underemployment

The health crisis caused by the Covid-19 turned, within a few weeks, into an economic shock weighing on both supply and demand and, consequently, on the labour market. While the initial estimates of the International Labour Organization (ILO), published on 18 March 2020, concerning the impact of this crisis, were alarming, with losses that may exceed those of the 2008-2009 global financial crisis, which increased the stock of unemployed by 22 million, those released on 7 April 2020 look even worse.

Impact of declining global growth on unemployment based on three scenarios, by income groups (millions)¹



Source: International Labour Organization, Covid-19 and the world of work: Impacts and responses, 18 March 2020

Initial estimates indicated an increase in global unemployment ranging from a best-case scenario of 5.3 million to a worst-case scenario of 24.7 million job losses, from a baseline of 188 million unemployed in 2019. These estimates also showed that most of the losses were to be recorded among high-income countries, with an additional 2.9 million and 14.6 million unemployed under the optimistic and pessimistic scenarios, respectively. This reflected, to some extent, the degree of exposure of countries in this income group, which were then, alongside upper-middle income countries, the most affected by the spread of the virus and the most concerned by containment measures.

Between the date of the initial estimates and today, the virus has affected almost every territory in the world. The number of confirmed cases of Covid-19 infections has increased from about 190,000 to over two and a half million. Instead of 7,800 deaths on 18 March, the world now mourns more than 152,000 lives lost.

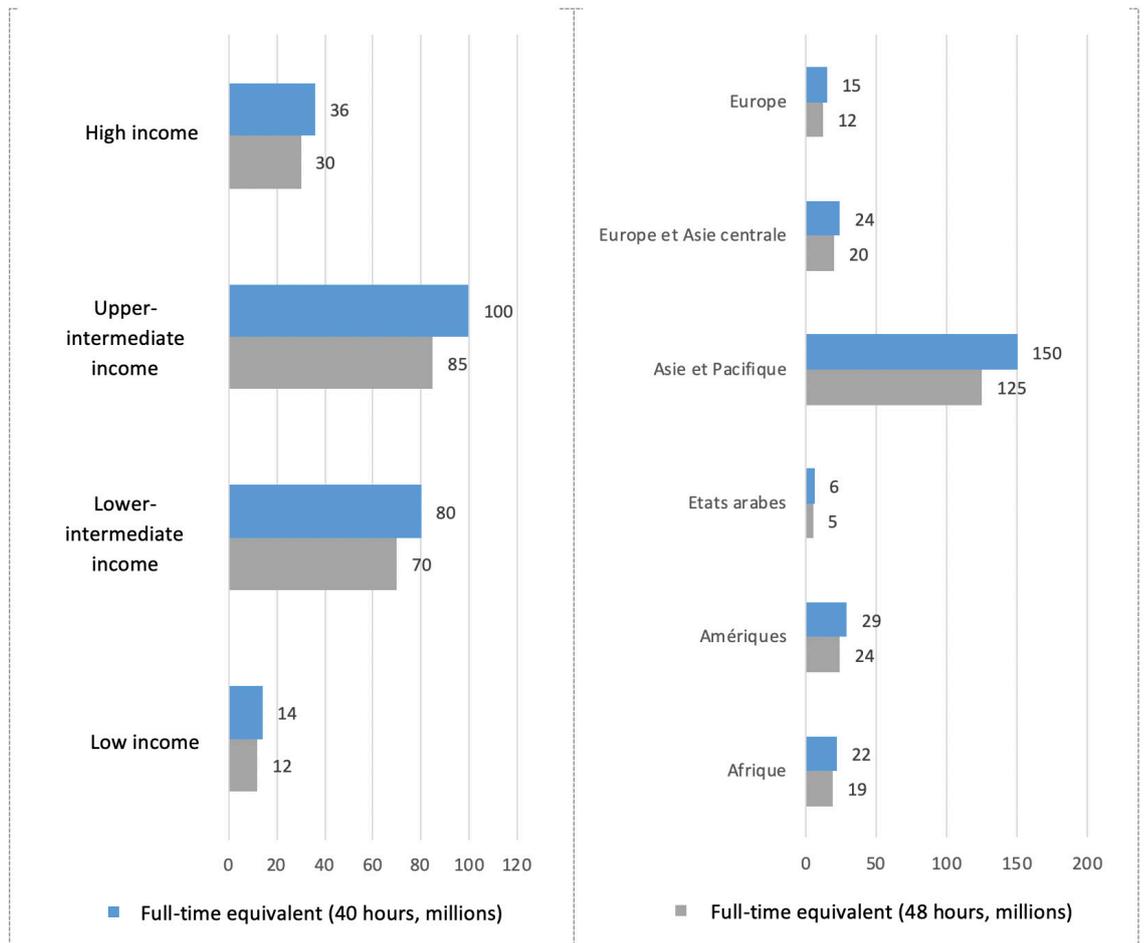
In the hope of curbing the spread of the virus, several countries have put in place social distancing measures, in this case the lockdown and closure of schools and the encouragement of teleworking. Some have applied restrictions on sectors such as trade and travel or non-core industrial activities and construction. By the end of March, these measures affected more than 80% of the world's employed population. The consequences of Covid-19 on employment were then direct, synchronous, profound, far-reaching and unprecedented, as described by the ILO Observatory.

Estimates of 1 April, published on 7 April, indicated that the loss in working hours could be as high as 6.7% (compared to the working hours of the 3.3 billion people in the global

1. The figures show the expected impact on unemployment under three GDP growth scenarios simulated by McKibbin and Fernando (2020). The margin of error represents the range of uncertainty arising from the unemployment projection model but accounts for the given GDP growth scenario. That is, the margins of error were those produced by ILO's unemployment projection model where GDP and growth data are taken from the model simulated by McKibbin and Fernando (2020). See: <https://ilostat.ilo.org/fr/resources/methods/ilo-modelled-estimates/>

workforce²) in the second quarter of 2020, or 195 million full-time workers worldwide, 70 million in lower-middle-income countries and about 12 million in low-income countries.

Impact of the Covid-19 crisis in terms of job losses in the second quarter of 2020, globally, by region and by income group (millions)



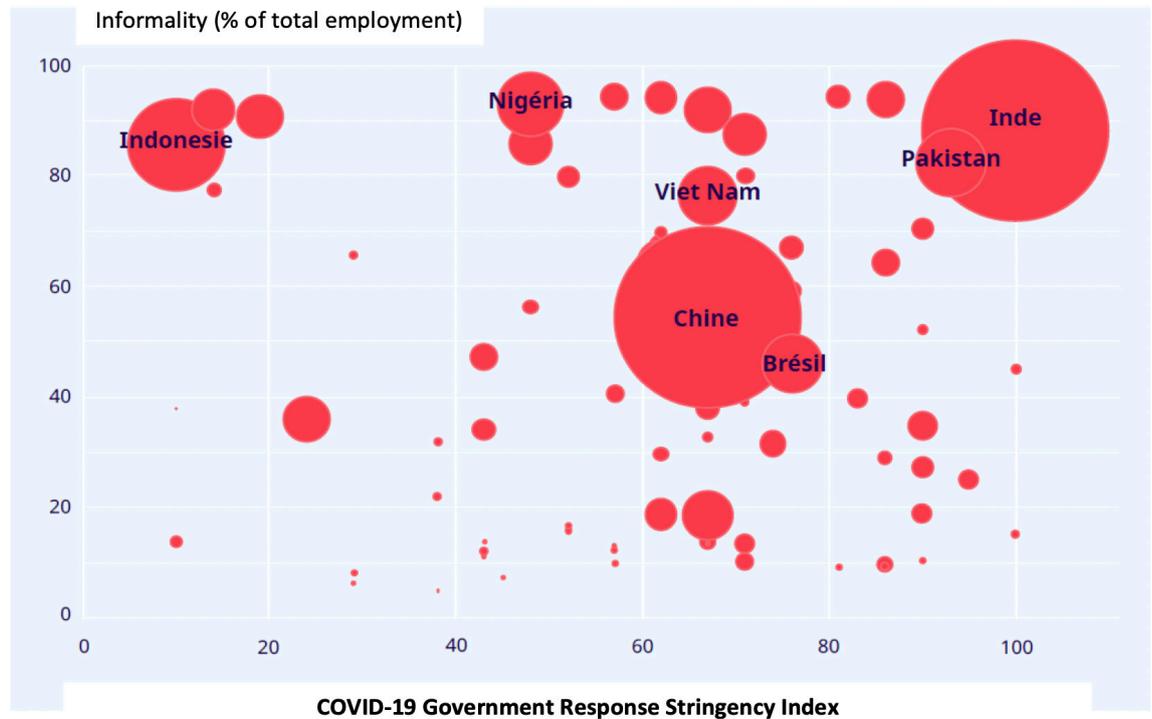
Source: International Labour Organization, Covid-19 and the world of work: Impact and policy responses, 7 April 2020

These figures, far exceeding the 22 million job losses recorded during the 2008-09 global financial crisis, show the magnitude of Covid-19’s impact when traditional strategies for immunizing workers against crises are ineffective or at least limited. Self-employment and informal work, which tends to increase in crisis situations as an alternative to job loss, is now facing the gravity of the situation. As a result, large proportions of the 2 billion people working in the informal economy worldwide (61% of the world’s labour force) now find themselves without social protection, facing a double-edged choice: to continue to go to work and risk contracting and spreading the virus to relatives and society, or to stay at home at the risk of being deprived of the necessary means of survival and livelihood. Already millions of informal workers in India, where more than 90% of the employed population works in the informal sector, the number and severity of the containment measures were substantial and had a significant impact on mobility and work. Around 400 million workers are affected and are at risk of being deprived of

2. ILO estimates put the number of hours worked by the world’s workforce at around 140 million hours per week.

the means of subsistence during the crisis. With the spread of the virus, the situation threatens to be particularly serious in Africa, where 86% of jobs are informal (ILO)³.

ILO estimates of informal workers under lockdown and other containment measures⁴



Source: International Labour Organization, Covid-19 and the world of work: Impact and policy responses, 7 April 2020

II. Consequences on the organization of employment: response of sectors and changes towards new ways of doing things

In terms of sectoral impact, the answer is far from equal. Some sectors are more affected and exposed than others. Those most troubled by Covid-19 are, in principle, companies whose activities involve mobility and large gatherings or depend on global supply chains. These companies are labour-intensive, employing millions of workers representing nearly 38% of the global workforce. They include air transport, tourism, real estate tourism, and wholesale and retail trade. The same is true for several forms of popular entertainment, including sports, movies, recreational activities and shows. The manufacturing and repair industries are also at risk of suffering significant losses in

3. Discussion of the implications for informal workers is provided for in the last section of this Policy Brief.

4. It should be noted that the stringency index simply records the number and stringency of government policies and should not be interpreted as « rating » the relevance or effectiveness of a country's response. A higher position in the index does not necessarily mean that a country's response is « better » than others lower on the index. See: <https://www.bsg.ox.ac.uk/research/research-projects/coronavirus-government-response-tracker>

output and employment. Other sectors have shown more resilience to the circumstances imposed by Covid-19. And while it is normal to see jobs in the fields of personal health, social action, defence and security being maintained, it is thanks to the adoption of new ways of organizing and collaborating between workers, their companies and their environments that sectors such as education and public services continue to deliver today. This adaptive nature is not limited to the abovementioned sectors.

Size in overall employment and severity of impact by industry sector



Source: International Labour Organization, Covid-19 and the world of work: Impact and policy responses, 7 April 2020.

In view of the above, it is interesting to engage in a forecasting exercise relating to the profound paradigm shift that this exogenous shock is likely to inflict on the world.

Value chain considerations: questions about the international division of labour

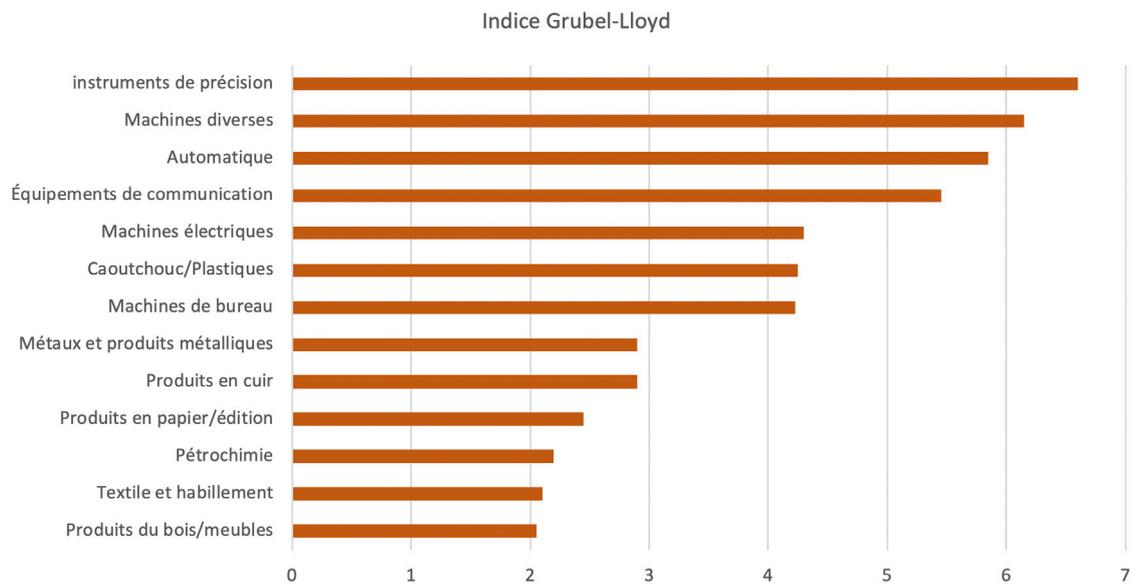
If the impact of this health crisis on global growth and employment is so disastrous, it is because we live in an era where the global economy is hyper-connected, particularly through supply chains. Supply chains are long and complex and can extend across several countries and continents. An Airbus A380, for example, is made up of about 4 million parts from more than 1,000 suppliers in 30 markets⁵. It is not surprising, therefore, that a halt in the construction of the wings in Broughton, Wales, could lead to disruptions in the production chain of the mega jet.

On a global scale, the situation is much more complicated. China, the main supplier of intermediate inputs to global manufacturing firms, saw its industrial output decline by 13.5% year-on-year in the first two months of the year. For example, the extensive closures of Chinese factories have caused bottlenecks in the global production chains of major industries. The automotive, electronics, medical equipment and supplies, consumer goods and other sectors have been significantly affected⁶.

5. Samuel Mathew, (2020): Supply chain lessons from COVID-19. Standard Chartered

6. Francisco Betti and Kristian Hong, (2020): Coronavirus is disrupting global value chains. Here's how companies can respond. World Economic Forum

China integration in Global Value Chains, (GVC)⁷, by sector



Source: United Nations Conference on Trade and Development (UNCTAD)

The Coronavirus crisis has highlighted the fragility of current production patterns, however complex they may be. It showed the excessive economic dependence on certain geographical areas for products of low value but which are of vital utility in these circumstances, such as face masks and respirators.

Supply chain managers who previously focused their attention on certain criteria for selecting their suppliers now have to get back to work and develop the systems and discipline needed to monitor the chain even more deeply, as this crisis would tend to realign opinions on what is «adequate» and what is essential⁸. It is likely that legislation on the procurement of certain products, such as defence articles and medical equipment, will come into force.

The Covid-19 did not fail to bring other failures to the forefront of the scene, linked in particular to the quality of work in these modes of production. It is currently estimated that 450 million people in the world work directly in global chains, many of them upstream of the production chain.

Indeed, the expansion of global supply chains has intensified competition, increased labour migration and led major companies to reduce labour costs through restructuring, outsourcing and relocation of businesses, as well as through efforts to shift workers from full-time employment to various forms of contractual work. This, in turn, has increased the downward pressure on wages and working conditions. The current model of global supply chains is based, in some cases, on low wages and precarious work.

7. The Grubel-Lloyd Index is a measure of the intra-industry exchange of a particular good or service. It was developed by Herb Grubel and Peter Lloyd in 1971. The coefficient is between 0 and 1. The more intense the intra-branch trade is, the more the indicator tends towards 1; the weaker the intra-branch trade, the more it tends towards 0.

8. Scott Miller, (2010): Covid-19 and Value Chains: Declining returns from trade policy.

These vulnerabilities that have re-emerged should give rise to profound changes in the organization of supply chains, particularly those of Western multinational firms in the industrial sector. They are likely to give rise to the creation of new paradigms, a new international division of labour favouring regional value chains, with the advantage of less fragility and more risk diversification and respect for the dignity of employees.

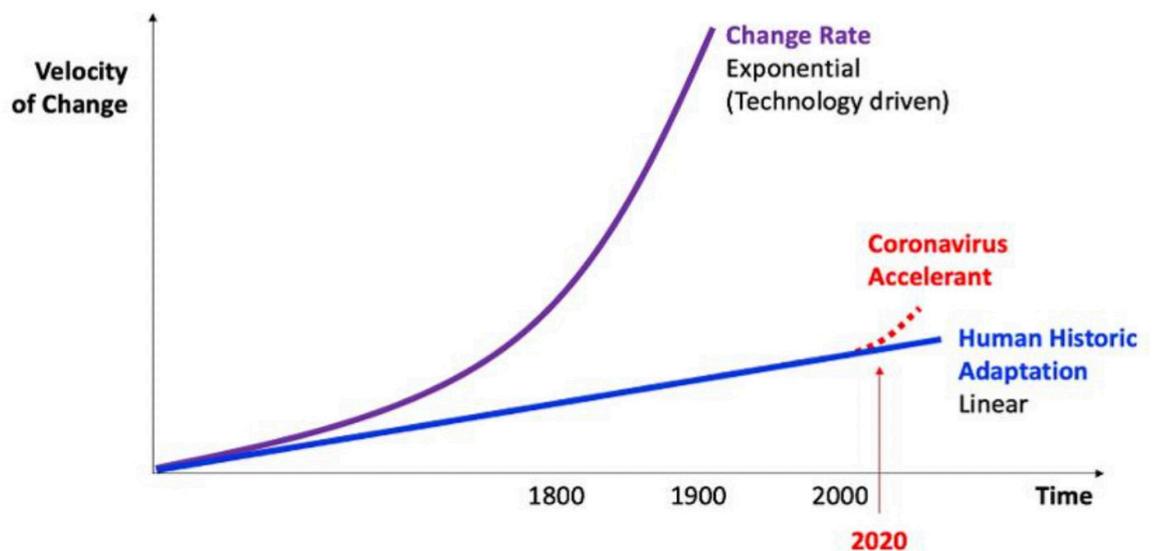
One thing is certain: the supply chain strategy will be redesigned.

Focus on the future of work: Covid-19 accelerates the transformation!

On another level, the Coronavirus has produced an amazing experience in adapting the work of companies and their environment to distance working modes. This pandemic, which has marked a pause in many respects, seems to be moving things forward and affecting our way of life, leading to changes that are likely to become sustainable in the way companies manage their workers and the way the latter work. The future of work also seems to be in the process of being rewritten.

While the future of work requires restructuring workplaces, redefining roles, rapid learning and building trust, the challenge of resilience and addressing the conditions imposed by the Coronavirus pandemic requires organizations to bring people together and do all this and more. The Coronavirus can, therefore, be seen as an accelerator of the change in working methods, a change that used to take place over time. The figure below illustrates this Coronavirus Accelerant⁹.

The Coronavirus is accelerating the future of work



Source: Heather E. McGowan, (2020), How the Coronavirus Pandemic Is Accelerating the Future of Work.

In addition to collaboration through new technologies, telework and decentralization of the workforce (as opposed to centralization of offices), Covid-19 provides lessons in managing organizations. In the past, companies have used lessons learned during periods of disruption to improve their practices. Covid-19 can lead to similar changes.

9. Heather E. McGowan, (2020): How the Coronavirus Pandemic Is Accelerating the Future of Work

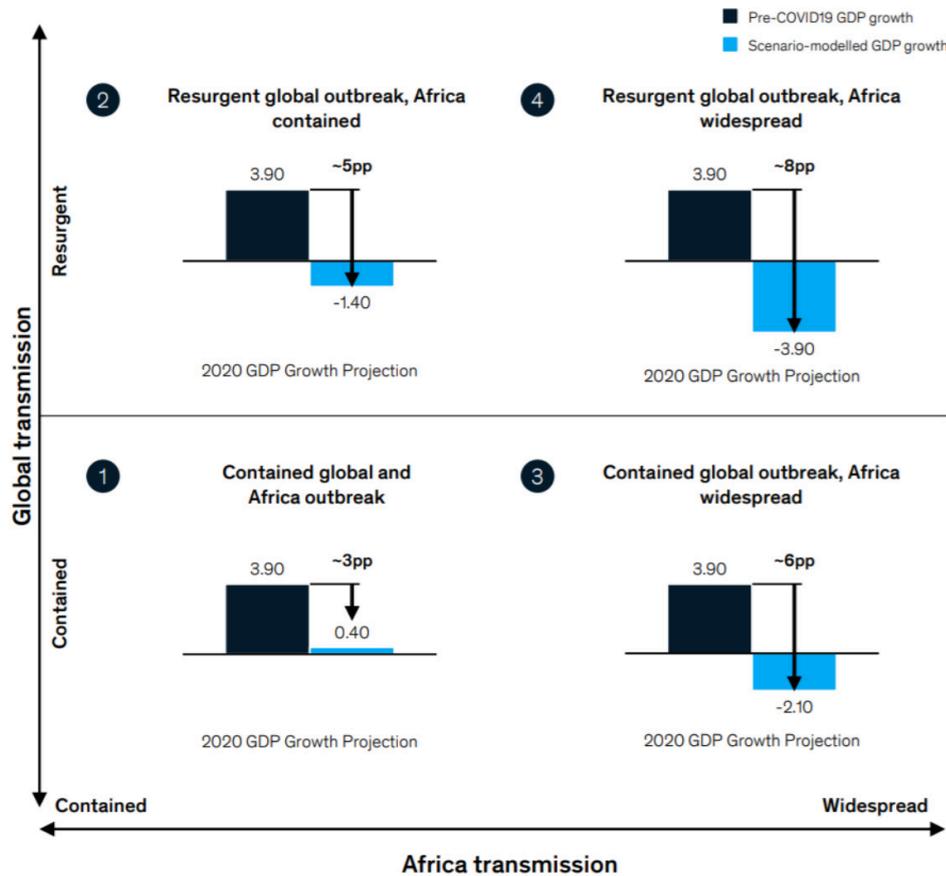
III. Covid-19: Three lessons for the future of the labour market in Africa

Despite its labour market implications and current responses, the current pandemic opens more than a window of lessons for public responses, particularly in Africa and developing countries. We particularly highlight three avenues. The aim is to create a climate of confidence at the end of the health crisis that will ensure the rapid reintegration of agents into the economic approach. Otherwise, The Covid-19 pandemic, combined with other factors, is likely to push Sub-Saharan Africa into its first recession in 25 years, while World Bank (WB) estimates predict negative growth of about -2.1 to -5.1% in 2020, compared to 2.4% in 2019. In the medium and longer term, there is a need to think differently about the informal sector, in particular by offering better social protection to workers and access to training, but also by removing barriers to the creation of decent jobs. This last need also concerns the formal sphere. In terms of confidence-building, African governments cannot « leave the initiative for recovery to nature »¹⁰. They must, however, act as guarantors of demand and supply through an active fiscal policy and a conciliatory monetary policy, in the hope of seeing an international recovery. Indeed, it is growth that creates a climate of confidence, above all, and pushes agents to be in keeping with the economy, to take more risks. This raises the question of financing and refinancing of maturing debt in a context of declining commodity prices, as well as global investment flows and remittances from the diaspora abroad. African countries should then consider all the options in the policy toolkit. For countries with high debt burdens, an international initiative to alleviate their debt service would have been fatal, for a period of time. In this sense, « the World Bank Group and the International Monetary Fund have called for a 'debt freeze' – an initiative that could be an important part of the global response to mitigate the impact of the Coronavirus on poor people in Africa »¹¹.

10. The Works of Irving Fisher. Vol. 14. Correspondence and other Commentary on Economic Policy 1930-1947, (ed.), London, Pickering & Chatto, 1997.

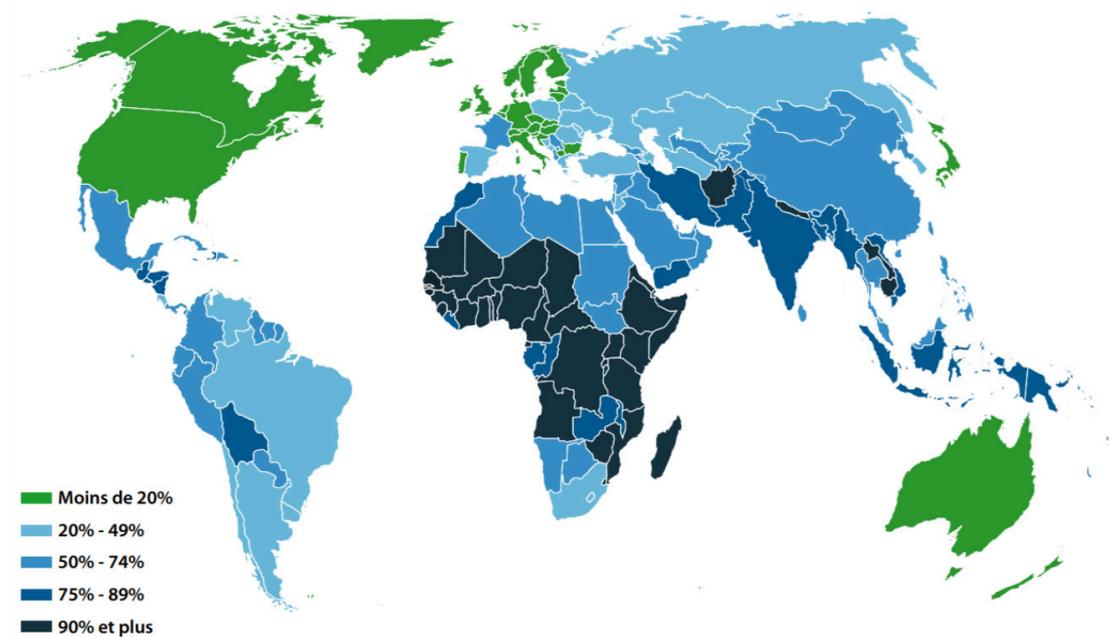
11. World Bank, (2020): Africa's Pulse. Assessing the economic impact of Covid-19 and policy responses in Sub-Saharan Africa.

Africa’s projected GDP growth, modelled at 3/31/20, under the assumption of no fiscal stimulus package from governments, and no monetary impact of currencies and ratings



Source: McKinsey analysis, Tackling COVID-19 in Africa: An unfolding health and economic crisis that demands bold action.

In addition to these recovery issues, the Coronavirus pandemic has highlighted the need for a flexicurity model adapted to the reality of predominantly informal and low-productivity jobs in Africa at a time when national social security systems were essentially designed to meet the needs of employees.



Source: International Labour Organization. The contribution of social dialogue to Programme 2030: Formalizing the informal economy, 2018

To suggest that informal workers are all extremely vulnerable is to overlook the plurality of situations and the various forms that the informal economy takes. Nevertheless, it remains true that these workers are still exposed to several difficulties, including access to housing via housing credit and to certain public services, or marginalization by public policies, while being absent from social dialogue.

Recognizing, structuring and formalizing the informal sector are therefore crucial steps in successfully designing a flexicurity model in line with the realities of the labour market in Africa. Putting in place business frameworks adapted to workers' realities is also crucial. « Sometimes the qualification of informal work is the consequence of legal loopholes or administrative complexities and not of the workers' own will »¹². Another element, which is also central, is the achievement of a right balance between labour market flexibility, social protection, active labour market policies and labour training, particularly through the prism of lifelong learning which allows, among other things, mobility and retraining, all this in the presence of an effective information system.

Finally, we must remember to be prepared for new technological developments and the emergence of new business models.

12. Futur.e.s in Africa, (2019); When the informal becomes formal: a process of territorial development and social inclusion..

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