OECD Employment Outlook 2020

WORKER SECURITY AND THE COVID-19 CRISIS

HIGHLIGHTS

OECD

Foreword

This edition of the *Employment Outlook* is released in the midst of a global health emergency that is turning into an economic and social crisis that evokes the Great Depression. The epidemiological model developed by the OECD shows that the severe restrictions to social and economic life that most OECD countries (and many others) have had to take to slow the spread of the virus have prevented the collapse of health care systems and helped to avoid hundreds of thousands, if not millions, of deaths. Yet, there is no question that these measures have had very serious economic and social consequences. Entire sectors of the economy were essentially closed down for weeks on end. Between the last quarter of 2019 and the second quarter of 2020, OECD-wide GDP is projected to have fallen by almost 15%. In the first three months of the COVID-19 crisis, in OECD countries for which data are available, hours worked fell ten times more than in the first three months of the 2008-09 global financial crisis.

In response, governments have implemented packages of measures to support people and companies and to cushion the impact of the crisis, which have often been impressive in their scale and speed. Some countries expanded the support provided by unemployment benefits and made them more accessible. Some countries expanded access to, or the generosity of, paid sick leave. Many countries have eased companies' access to short-time work schemes, making them more widely available (in particular to small and medium-sized enterprises) and generous while lowering conditionality requirements. Many countries have also stepped up means-tested assistance of last resort, introduced new ad hoc cash transfers, and provided direct support to those who lost their livelihoods.

Despite these substantial efforts, the numbers are stark and our projections are bleak. Even if a second wave of infections is avoided, the June 2020 *OECD Economic Outlook* projects a 6% annual decline in global GDP for 2020. The OECD-wide unemployment rate is projected to be at 9.4% at the end of 2020, above any previous historical peak, and still 7.7% the year after. The crisis will cast a long shadow over the world and OECD economies. By 2021, it will have taken real income per capita in the majority of OECD economies back to 2016 levels even in the absence of a widespread second wave of infections. In the "double-hit" scenario where a second wave strikes all OECD economies in late 2020, real per capita income in the median OECD economy in 2021 would be back to 2013 levels.

As many countries gradually move out of strict containment measures and the economy re-starts, it is essential to sustain the recovery with a combination of macroeconomic policies and sectoral policies to boost growth and job creation while providing support to the many still in need.

Policies need to sustain public and private investment, especially on green and other essential infrastructure and more generally to foster job creation. Moreover, policy makers will need to modify and adjust the composition and characteristics of their support packages, targeting support where it is most needed and encouraging a return to work where possible. If they get these decisions right, we will be able to look back on 2020 as a year of crisis, successfully navigated. Get them wrong, and the consequences will be felt by many people for a long time.

The *Employment Outlook 2020* outlines some of the critical decisions that countries will have to make. Decisions on how, and at what speed, to manage a return to economic and social activity, while keeping workers safe. Decisions on how to scale back job retention schemes without prematurely removing support where it is still needed. Decisions on how to adapt emergency support programmes for self-employed workers and businesses, especially small ones, as economic activity picks up, given that some viable businesses in the most impacted sectors may continue to face restrictions and/or low demand. Decisions on how to provide adequate income support by adapting some of the support mechanisms exceptionally put in place during the pandemic. Decisions on how to support job creation effectively with targeted subsidies, and how to help jobseekers with public and private employment services. Last, but certainly not least, decisions on how to provide a comprehensive support package to the cohort of young people whose education and early labour market experience have been blighted by the COVID-19 crisis. The crisis cannot be allowed to result in a lost generation of young people whose careers are permanently diminished by the disruption to the labour market.

More generally, in taking all these decisions, it is essential that the measures adopted leave no one behind. The impact of COVID-19 is particularly severe for the elderly, low-income earners, women, migrants, children and youth, and those with disabilities and with chronic health conditions. By accompanying labour market and social protection measures with a broad and coordinated policy response, countries can promote a recovery that ensures more inclusive growth. We need strengthened education and the potential of long-distance learning, more resilient and people-centred health care, housing support and specific interventions to enhance personal safety of women and children, as well as support for communities and regions left behind.

This edition of the *Employment Outlook* is – with the June 2020 *Economic Outlook* and the OECD Digital Hub on Tackling the Coronavirus – part of the OECD's response to the crisis, providing member and partner countries with evidence and policy advice to weather the pandemic and to foster more resilient, inclusive and sustainable growth.

COVID-19 has exposed weaknesses in our economies and societies that will hold people back unless they are addressed. In times of crisis, 'normality' sounds very appealing. However, our normal was not good enough for the many people with no or precarious jobs, bad working conditions, income insecurity, and limits on their ambitions. We need to capitalise on the momentum created by the strong initial national responses to the crisis, and build better policies for better lives in the post-COVID world.

Angel Gurría

OECD Secretary-General

Editorial: From recovery to resilience after COVID-19

What took more than a decade to achieve has unravelled within a matter of months. In early 2020 the employment rate in the OECD reached a record-high of 68.9%, 2.6 percentage points above the previous record just before the global financial and economic crisis of 2007-08. Then the pandemic struck. Within months, COVID-19 spread around the globe triggering the worst public health emergency in a century. It has sparked an economic crisis not seen since the Great Depression of the 1930s. More than 10 million people have been infected with the virus, more than half a million people have died and trillions of dollars have been pumped into the world economy to protect lives and livelihoods. In the face of this challenge, a four Rs strategy, which progresses from *response* and *rehabilitation* to *reciprocity* and *resilience*, is needed to re-build a better, more robust, and inclusive labour market.

The immediate response to the pandemic has been unprecedented in scale and scope. As countries move out of lockdown, rehabilitation will be critical to protect many jobs. Reciprocity, with everyone contributing to rehabilitation with a sense of responsibility, will also be key to the recovery. Last but not least, the COVID-19 crisis has exposed gaps in the labour market that must be closed to boost resilience. With the low-paid, the young, women, the self-employed and temporary workers among the hardest hit by the crisis, the burden of the pandemic has been shouldered disproportionately by the most vulnerable.

Countries around the world have taken major steps to deal quickly with the crisis. On the public health side, the primary objective has been to "flatten the curve" of the virus, contain the otherwise overwhelming pressure on hospitals and ultimately save millions of lives. Intervention was swift. Many countries adopted drastic containment measures, which resulted in an unprecedented – at least in peacetime – shutdown of most non-essential activities, from kindergartens, to schools, factories and most shops and recreational activities.

The combination of fear of infection, public guidelines and mandatory lockdowns and great uncertainty, produced a sharp contraction in economic activity with a deep and widespread shock to the labour market. An unprecedented number of workers (39% on average) shifted to telework, pushing the boundaries of the potential for this alternative way of work organisation. Despite this, in all countries the number of those effectively working collapsed much more than during any recent economic and financial crisis, as companies in non-essential sectors laid-off workers, froze hiring and put most of their workforce on hold through subsidised job retention schemes. By May 2020, companies had claimed job-retention subsidies for more than 30% of their employees in countries such as Germany or the United Kingdom and up to 50% in countries such as France and New Zealand. In the meantime, the OECD-wide unemployment rate rose from 5.3% in January to 8.4% in May.

While the virus respects no borders or socio-economic groups, its spread has disproportionally affected the most vulnerable, either directly because of greater difficulty in protecting themselves, or indirectly via the impact of the lockdown on their jobs. Low-income workers are paying the highest price. As shown in this *OECD Employment Outlook*, during the lockdown top-earning workers were on average 50% more likely to work from home than those in the bottom quartile; the latter were more often employed in essential services during the lockdowns and at risk of exposing themselves to the virus while working. At the same time, low-income workers were twice as likely to have to stop working completely as their higher-income peers were.

Workers in non-standard jobs – i.e. self-employed workers and those on temporary or part-time contracts – have been particularly exposed to job and income losses. In contrast to the global financial crisis, women have also been hit harder than men, as they are over-represented in the most affected sectors and disproportionally hold precarious jobs, while more is being asked from them in the home. And the “Class of Corona”, this year’s graduates, are leaving schools and universities with poor chances of finding employment or work experience this summer or in the autumn.

RESPONSE: The “emergency” response to the pandemic has been unprecedented in scale and scope. As the health and economic shock was unprecedented in terms of speed and virulence, so was the policy response, with several trillion dollars quickly committed globally to sustain individuals, households, and companies. Beyond providing direct and indirect financial support to companies, the vast majority of OECD countries have strengthened and/or extended income support to workers unable to work or who are jobless. Many extended or introduced job retention schemes at firms suffering from a temporary reduction in business activity, thereby avoiding severing labour contracts, which would have resulted in the destruction of valuable competences and viable investment. Many countries also introduced or strengthened sick pay, including for quarantined workers, and took measures to address unforeseen care needs for working parents.

Despite the massive measures taken around the globe, uncertainty about future labour market developments is large, as the risk of new outbreaks is high. Much of what will happen depends on the evolution of the pandemic. The results of an epidemiological model the OECD developed during the crisis suggests that the strict confinement measures introduced in many countries were successful in containing the number of fatalities. Moreover, model simulations indicate that a second wave can be avoided even in the absence of a vaccine. This requires putting in place a package of comprehensive public health interventions, ranging from massive upscaling of testing, tracking and tracing (TTT), to enhancing personal hygiene measures, to ensuring wide use of masks and the continuous enforcement of some physical-distancing policies such as banning large gatherings and encouraging people to work from home.

Given the uncertainty about the evolution of the pandemic, the latest OECD *Economic Outlook* presents two possible, equally probable, scenarios: one where the virus outbreak continues to recede and remains under control, and one where a second wave of rapid contagion erupts later in 2020. Even under the single-hit scenario, world economic output is forecast to plummet by 6% this year, before climbing back by 5.2% in 2021. The outlook would be much worse with a double-hit scenario. In the most optimistic scenario, the OECD-wide unemployment rate is forecast to be 9.4% in the fourth quarter of 2020, exceeding all the peaks since the Great Depression, while average employment is projected to fall by 4.1% to 5% with respect to 2019, depending on whether a second outbreak materialises.

Responding swiftly to the huge challenges imposed by the sudden lockdown required a Herculean effort on the side of governments across OECD countries and beyond. As the economy re-opens, policy must lead the labour market and society along the road to rehabilitation. But, adapting this package of measures to the new situation of a gradual and managed re-opening is not any easier, and will require reciprocity and responsibility from all stakeholders.

REHABILITATION: In the short-term continued support for some sectors remains vital to protect jobs and wellbeing, but labour market mechanisms must re-start operating. Accompanying the labour market during the gradual scaling back of confinement measures requires a two-pronged approach. *First, labour market policy must support the effort of preventing a second severe pandemic wave and preparing for that in case it materialises.* Teleworking remains, for many, an effective way to work while limiting risks of contracting the virus. Evidence shown in this *Employment Outlook* suggests that, on average, about one third of jobs can be done from home under normal conditions. Enhancing the use of teleworking requires not only facilitating employer-employee arrangements but also investing to make sure that workers have the instruments to work from home under good conditions (computer or tablet, broadband connection, room to work undisturbed etc…). It will also require planning work organisation, in particular in the case of a second pandemic wave, and training the workforce to make the most of teleworking.

Almost two-thirds of jobs cannot, or can hardly, be performed from home. Some of them have a limited risk of infection as they involve no or infrequent physical interactions (e.g. plumbers, truck drivers, or archivists). However, almost one-half of all jobs require frequent interactions and, in the absence of precautions, carry some risk for workers being infected at work (as exemplified by the large number of hot spots that have developed in meatpacking plants). Therefore, developing and adapting rigorous occupational safety and health standards remains a policy priority. Moreover, continuing to guarantee extensive paid sick leave will remain crucial, so that potentially infected workers do not spread the virus at work.

*Second, as the re-opening of the economy unfolds and activity restarts, labour market and social policy should be adapted to reflect the varying conditions of workers, households, and companies***.** During the lockdown, a broad one-size-fits-all support strategy was justified, as most activities were simply prevented from operating and companies and jobs would not have survived without immediate support. Now, policy makers are facing the difficult task of moving the economy from emergency action, with massive, generalised support, to recovery, where support needs to be differentiated according to the conditions of firms, sectors, and workers.

Firms and workers in sectors that are still prevented from operating – such as parts of the entertainment industry – should continue to be supported, at least temporarily, to increase their chance of resuming work. However, where activities can resume the market mechanism should re-start operating, allowing for workers and resources to move from unviable to promising activities.

Measures should be targeted better to ensure that those in need really get help, while fostering the incentives to go back to work for those who can. This is necessary to avoid the scars of prolonged joblessness and inactivity, on the one hand, and to ensure the sustainability of policy interventions, on the other hand. A clear example of the need to adapt the policy intervention is provided by job-retention schemes. For sectors where activity have resumed, firms should be required to carry part of the cost of the job retention scheme. To avoid reinforcing financial difficulties of firms, employers' participation can take the form of a delayed-payment or zero-interest loan. In addition, stricter limits on the duration of subsidies and incentives to look for work, combine temporary secondary jobs and short-term subsidies, and take up training are among the policy levers that policy-makers and social partners should consider in coming months.

As prospects of quickly finding new work will remain poor for many, some countries should extend unemployment benefit durations to prevent jobseekers from sliding too quickly into much less generous minimum-income benefits. This will be even more necessary in the case of a second wave of infections and renewed restrictions to economic activity. Emergency support for the self-employed should also be re-assessed, in order to improve targeting, restore incentives and ensure fairness. More generally, the duration, targeting and generosity of all the income support programmes put in place in the early months of the crisis should be re-examined to ensure that they are sustainable, their effects on work incentives are minimised, and they guarantee that support goes to the most needy. Public and private employment services will also face the daunting challenge of serving a high number of jobseekers with differing conditions. Their capacity will have to be scaled up to avoid permanently neglecting functions that may have been of secondary importance during the emergency phase of the crisis (e.g. career advice, counselling).

Implementation and delivery of this complex package will be crucial, however. During the crisis, many people have waited for too long to receive the help they need and were entitled to. New programmes found themselves entangled in a mass of administrative yarn and took too long to reach beneficiaries. Newspapers have been filled with examples of companies going bankrupt before receiving promised subsidies, displaced workers applying for unemployment benefits but not having received them after several weeks, and even children not receiving lunches replacing those of locked down school canteens.

RECIPROCITY AND RESPONSIBILITY: In both the short and the long-term, all parts of society need to contribute to this rehabilitation with sense of responsibility, in particular those who have received, or still receive, public support.

All actors in the economy should play their role in rebuilding a better labour market. Reciprocity is needed between public support for struggling firms and industries and private sector support for efforts to help the unemployed return to work, boost employees' skills and ensure no one is left behind in a recovery. This particularly applies to those firms that receive or have received job retention and other subsidies, but all firms must strive for the reconstruction of a dynamic labour market. Hiring and re-hiring, investment in new technologies and in training for the workforce, and/or continued participation in apprenticeship programmes should take a central role in corporate decisions. Time-limited hiring subsidies have proven quite effective at supporting job creation, notably in bad times, while minimising the administrative costs of monitoring eligibility requirements on take-up (e.g. by allowing recapturing credits when job creation goals are not met or considering refundable hiring credits, as done by certain US states during the global financial crisis).

A similar argument applies to individuals receiving income support. For example, a priority will be restoring the "mutual obligations" approach, in which governments commit to providing jobseekers with benefits and effective employment services and, in turn, beneficiaries have to take active steps to search for work or improve their employability. This is key to mobilise jobseekers to find viable jobs.

RESILIENCE: The COVID-19 crisis has shown more than ever the need to strengthen resilience and inclusivity in the labour market. In the medium term, countries should address the structural problems that the crisis has put under the spotlight. As stressed in the *OECD Jobs Strategy*, effective economic resilience requires counter-cyclical macroeconomic policies, adequate income support for all workers, rapid expansion of job-retention schemes during crisis, and effective social dialogue.

The COVID-19 crisis has laid bare pre-existing gaps in social protection provisions. In many countries, the insurance function of social protection works well for employees with stable work histories. But, as shown in this *Employment Outlook*, even if entitlement rules are usually the same for all dependent employees, conditions on minimum employment duration or earnings before the unemployment spell are often harder to meet for those who lose a part-time job or have unstable or short employment histories. The self-employed and other non-standard workers are often poorly protected or not protected at all. At the same time, the assistance function of social protection systems – providing last-resort minimum-income benefits for those with little or no other resources – has been put to a severe test. The emergency has prompted decisive actions to reduce these gaps in social protection. The challenge now is to build on these initiatives, and transform temporary fixes into structural changes.

Workers in non-standard forms of employment need to be able to build up rights to the types of out-of-work support that are already available to standard employees. While including self-employed in earnings-related social-protection schemes can be fraught with moral hazard and other logistical and administrative concerns, several countries have already been successful in establishing well-designed policies that work for their circumstances. For instance, a number of OECD countries do include the self-employed in their unemployment and sickness insurance schemes. A more equitable treatment of different forms of employment can help minimise future needs for makeshift programmes – that are necessarily less targeted and cost-effective and can be prone to leakage.

Even with well-designed social insurance schemes in place, providing a minimum level of assistance to those in need is a basic function of social protection systems. Yet, even in normal times, the accessibility, the reactivity, and the generosity of these programmes differ markedly across countries. In many cases, complex criteria and claims procedures result in low take-up and receipt rates, long waiting periods, and sometimes inadequate levels of support. One-off or temporary lump-sum transfers, as introduced by many countries during the COVID-19 crisis, have played a role in providing fast support to those in needs. But beyond the short-term, as fiscal pressures mount, sustainable and effectively targeted programmes will be needed. Making minimum-income protection more responsive, through timely reassessment of entitlements in the face of rapidly changing circumstances remains an urgent policy priority.

Strengthening labour market resilience also requires stronger institutional capacity to scale up key measures quickly, while maintaining service quality. This implies that when a crisis hit, the policy infrastructure should already be in place and can be scaled up quickly. Evidence suggests that implementation and delivery failures during the COVID-19 crisis were more common where emergency solutions had to be created from scratch.

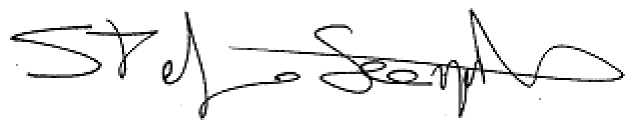
Reconstructing a better and more resilient labour market is an investment in the future and future generations. We cannot afford losing the Corona Class generation. In the aftermath of the global financial crisis, governments acted far too late to address the labour market difficulties of youth, which left them with long-lasting scars that were still visible before the COVID-19 outbreak. There is no time to waste to put in place a comprehensive policy package ensuring that no young worker is left behind. Everybody should have a route to follow (such as, e.g. the EU Youth Guarantee). Every actor must, again, play its role with responsibility and reciprocity: companies, for example, should be encouraged to provide opportunities for work experiences by hiring new graduates or offering apprenticeships, internship or work-related training, while governments should accompany them with specific financial incentives.

A comprehensive recovery plan should include, the expansion of cost-effective active labour market measures – such as counselling, job-search assistance, entrepreneurship programmes. Extending support for vocational education and training (VET) would also be crucial. As shown in this *Employment Outlook*, the transition from school to work of non-tertiary VET graduates remains much easier than that of their general-education peers. Yet, it is important to make sure that these programmes remain responsive to changing labour market needs.

Social dialogue and collective bargaining have a key role to play in enhancing the resilience of the labour market. When social partners work co-operatively, this flexibility and granularity could allow adapting and deploying more rapidly the required responses through tailor-made agreements and work re-organisations that are adjusted to meet each specific situation. In many countries, for example, collective bargaining and social dialogue have recently proved instrumental in ensuring safer workplaces. The guidelines and codes of good conduct established by social partners and the agreements signed between employers and trade unions in this area in various countries (e.g. Denmark, France, Italy and Spain) are excellent examples of how social dialogue and collective bargaining can be mobilised to complement public action and find flexible and tailored solutions for both companies and workers.

Countries should harness the lessons of this crisis and plan for a thorough **assessment of labour market resilience**, drawing on the OECD Jobs Strategy framework. This complex exercise will have to involve all stakeholders and lead to the identification of country-specific policy packages to enhance resilience within a more inclusive labour market.

It is not the time to rebuild the old. It is time to build better.



Stefano Scarpetta

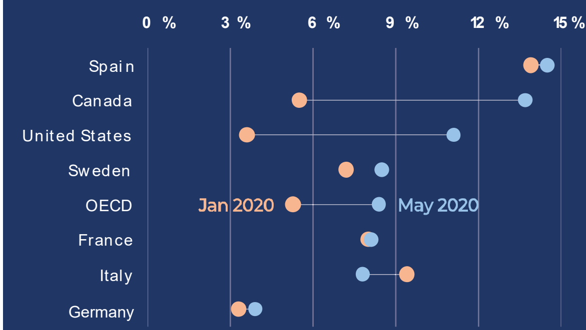
Director for Employment, Labour and Social Affairs

OECD

Infographic 1. Key facts and figures

Unemployment rates soared in just a few months

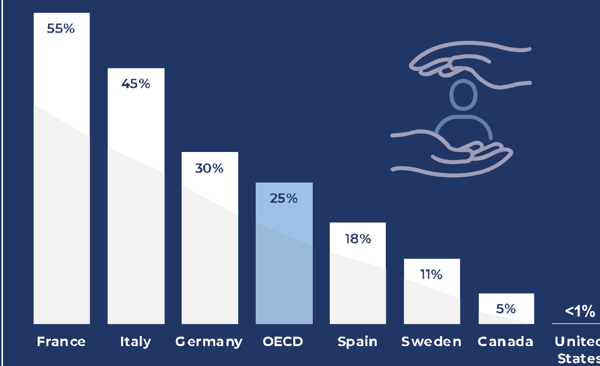
Unemployment rates, January and May 2020



Note: Temporary layoffs are included in unemployment figures for the US and Canada but not for the other countries. Data for US refers to June.

Job retention schemes have played a massive role in some countries

Share of employees for which job retention support (e.g. short-time work schemes) has been claimed



Note: US data refer to participation in short-time compensation schemes.

The number of hours worked has plummeted

Comparison of change in total hours worked during first 3 months of COVID-19 crisis with those of the 2008 crisis*

* Average of selected countries - Australia, Canada, Japan, Korea, Sweden, US.

Many people worked from home during the COVID-19 lockdown

2 out of 5 workers were able to work from home in April 2020 across the OECD.

* Average of selected countries for April 2020 - Australia, Austria, Canada, France, Germany, Italy, New Zealand, Poland, Sweden, the UK & the US.

Inequality: The low-paid, women and young people are paying the heaviest toll

Share of workers who stopped working in April 2020 in the bottom and top 25% of the income scale*

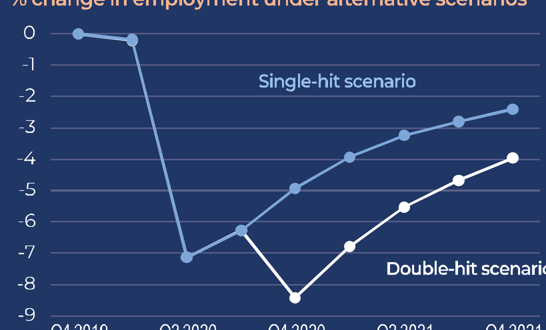
Bottom 25% earners who stopped working

Top 25% earners who stopped working

* Average of 11 selected countries for April 2020

Employment levels are projected to drop significantly

% change in employment under alternative scenarios



Note: Single-hit = no further pandemic wave; Double-hit = a second wave in Q4 2020

Read more: https://www.oecd.org/employment-outlook

COVID-19: From a health to a jobs crisis – highlights

In late 2019, the city of Wuhan, located in the Hubei province of China, experienced an outbreak of pneumonia from a novel coronavirus – the severe acute respiratory syndrome which causes the infectious Coronavirus disease 2019 (COVID-19). Since these initial cases, the number of confirmed COVID-19 cases has grown rapidly and spread to most countries and territories across the world. Globally, there are now more than 10 million confirmed cases, and several hundred thousand deaths have been registered.

The impact on the economy and labour markets has been enormous. As the severity of the health risks caused by COVID-19 became apparent, countries across the globe introduced strict confinement measures to “flatten the COVID-19 curve”, to assuage the otherwise unbearable pressure on hospitals and, ultimately, reduce the death toll of the pandemic. Even where such confinement measures were not adopted, citizens largely assumed similar practices; working from home where possible, while avoiding large gatherings, public transport and in-store shopping. The result has been a major supply shock, as workers have stayed home and many businesses have temporarily closed. At the same time, demand for many goods and services has plummeted, as households and companies have been unable, either physically or financially, to maintain their spending, and growing uncertainty has led them to save whatever they can. This has turned the supply shock, very rapidly, into a demand shock.

In the immediate aftermath of the shock, as countries grappled to minimise the impact of the health crisis on the livelihoods of their citizens, the usual trade-offs, between support and incentives, between generosity and fiscal sustainability, were temporarily laid aside. Policymakers moved fast in attempts to save jobs, protect livelihoods, and avert a deeper economic and social crisis. Now, as infection rates fall, and economies begin to open, these questions are back on the table. As societies work together in the aftermath of the pandemic to find the blueprint for a more resilient labour market, they must address the structural vulnerabilities exposed by COVID-19.

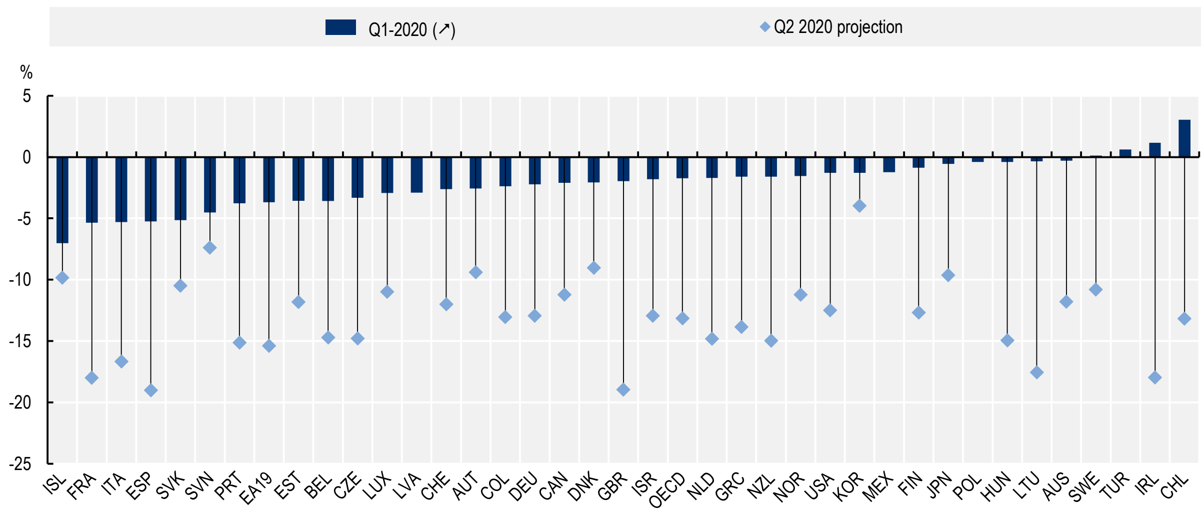
The impact of the pandemic

The pandemic took an immediate and heavy toll on the economy

The impact of COVID-19 on economic growth was immediate and profound. Even though most OECD countries adopted containment policies only in the second half of March 2020, first quarter GDP plummeted (Figure 1). Projections for the second quarter point to a further dramatic fall. Between the fourth quarter of 2019 and the second quarter of 2020, GDP is projected to have collapsed by about 15% on average across the OECD, reaching -23% in Spain, -22% in France and -21% in Italy and the United Kingdom.

Figure 1. GDP fell substantially in the first half of 2020

Quarterly percentage change in real GDP, Q1 2020 and Q2 2020 projections



Note: Quarterly GDP growth projections (Q2 2020) are not available for Latvia, Mexico, Poland and Turkey.
Source: OECD Quarterly National Accounts, OECD (2020), "Gross domestic product (GDP)" (indicator), https://doi.org/10.1787/dc2f7aec-en (accessed on 30 June 2020) and *OECD Economic Outlook, Volume 2020 Issue 1*, https://dx.doi.org/10.1787/0d1d1e2e-en.

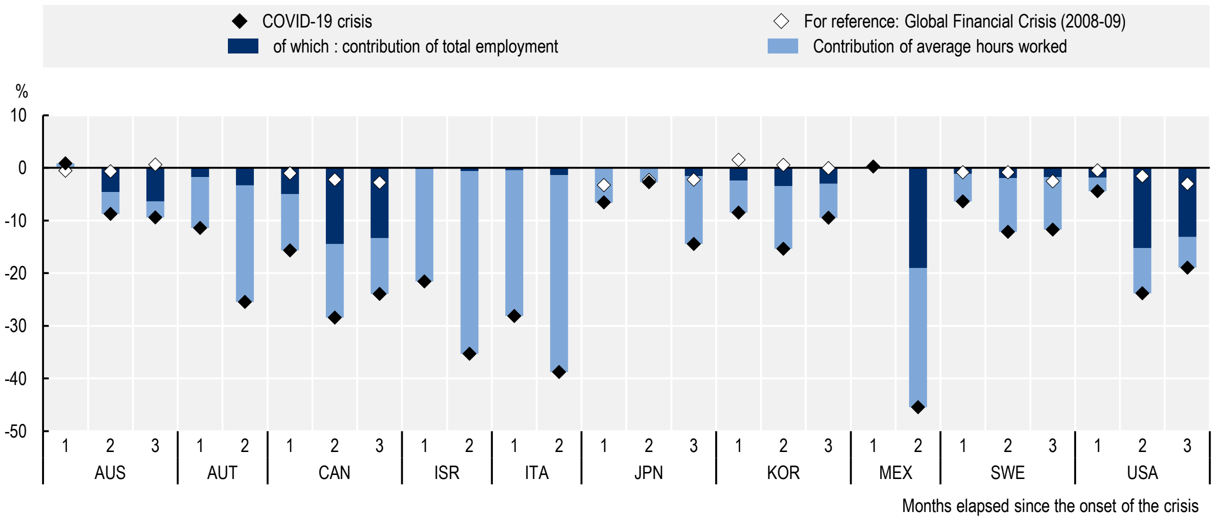
The impact on labour markets, already unprecedented, may deepen significantly going forward

The impact of the COVID-19 pandemic on unemployment will be profound. A few countries have already seen unprecedented leaps in unemployment – although in some, most of those who became unemployed were temporarily laid-off and are expected to be called back to work as the economy re-opens. The United States, for example, saw a fourfold increase in unemployment rates in just two months as rates jumped from their 50-year low of 3.5% in February 2020 to 14.7% in April.[1] As workers who temporarily lost their job return to their previous employers, these figures will likely fall – and already started to do so in May and June. However, in other OECD countries, where policy makers have relied heavily on job retention schemes – allowing employers to cut the hours their employees work while receiving public financial support for these unworked hours – the initial impact on unemployment figures has been less marked. In these countries, it is likely that the full impact of the pandemic on unemployment is yet to be realised. Whether the adjustment has taken place on the *extensive* or *intensive* margin – whether fewer people have worked, or people have worked fewer hours – the impact on the labour force has been substantial. Hours worked have collapsed such that, in countries across the OECD for which data are available, in the first three months of the COVID-19 crisis, hours worked fell ten times more than in the first three months global financial crisis (Figure 2).

[1] Citations have been removed from this document for the sake of brevity. Full sources can be found in Chapter 1 of *OECD Employment Outlook 2020*, https://doi.org/10.1787/1686c758-en.

Figure 2. One of the worst labour market crises in a century

Percentage change in total hours worked with respect to those worked the month of the onset of the crisis



Note: The starting point of the Global financial crisis refers to October 2008. No comparable data available in 2008-09 for Austria, Israel, Italy and Mexico. The starting point of the COVID-19 crisis refers to January 2020 for Japan and February 2020 for all other countries. The recent data for Mexico are highly uncertain because a new survey tool was introduced in April which may affect the comparability of the results with earlier months.

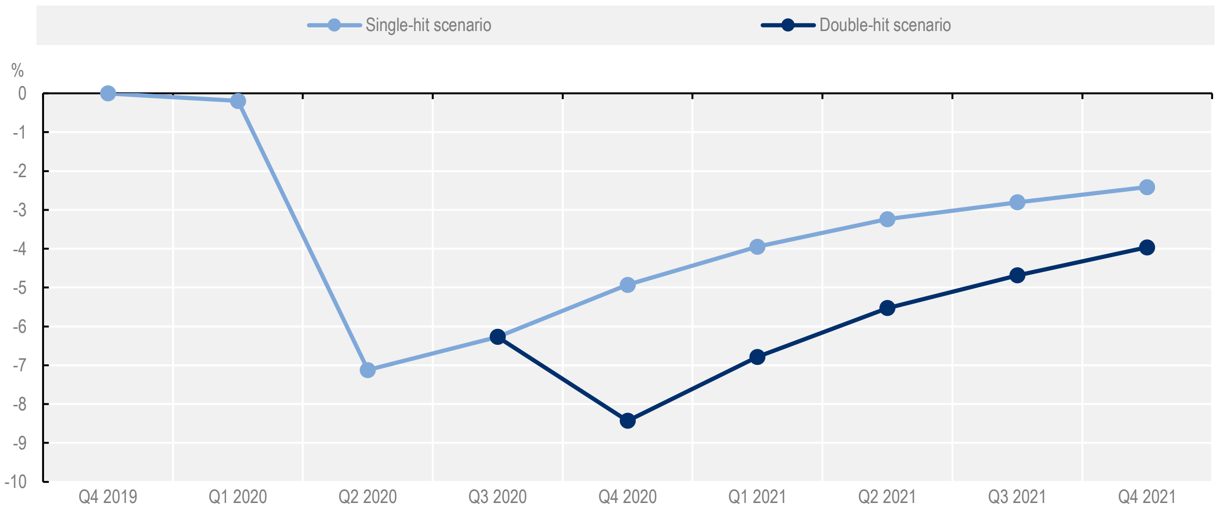
Source: *OECD Employment Outlook 2020* (Chapter 1), https://doi.org/10.1787/1686c758-en.

In light of the persisting uncertainty over the evolution of the pandemic, the efficacy of the measures to contain and treat it, and the timeline for a vaccine, the *OECD Economic Outlook* of 2020 has, for the first time, presented two, equally probable, short-term projection scenarios for the next 18 months. Under the first, containment measures taken during spring 2020 will manage to control the diffusion of the virus. Under the second scenario, a further infection wave late in 2020 will require additional – potentially more targeted – restrictions on mobility and economic activity. Even under the more optimistic "single-hit" scenario, world economic output is forecast to plummet by 6% this year, before climbing back 5.2% in 2021. The OECD-wide unemployment rate is forecast to stand at 9.4% in the fourth quarter of 2020 – the highest figure since cross-country data on unemployment have been recorded. If a second outbreak materialises, the outcome would be worse. Under this scenario, unemployment would reach 12.6% by the fourth quarter of 2020 – 4 percentage points higher than the peak during the global financial crisis.

As economies begin to re-open, unemployment is projected to fall, but remain substantially above the level prior to the outbreak of the pandemic. This reflects both the scale of immediate job losses in some countries, as well as the gradual declines in employment in others, as countries phase out temporary wage and employment support schemes towards the second half of 2020. By the last quarter of 2020, depending on the scenario, average employment across the OECD is projected to have fallen between 4.9% and 8.4%, compared to the same quarter the previous year. It is likely to remain substantially below pre-pandemic levels for the whole 2021 (Figure 3).

Figure 3. Employment is projected to slump in 2020

Cumulative percentage change in employment (since Q4 2019) under alternative scenarios, OECD area



Note: Single-hit: No further pandemic wave; Double-hit: A second wave in the last quarter of 2020.
Source: *OECD Economic Outlook, Volume 2020 Issue 1,* https://dx.doi.org/10.1787/0d1d1e2e-en.

Who has been hit the hardest?

The economic consequences of the COVID-19 pandemic have not fallen with equal severity on all shoulders. Existing vulnerabilities have been exposed, and inequalities entrenched. Many of those with the most limited means have been the least able to protect themselves.

Low paid workers have been exposed to the full force of the health and jobs crisis

Low-paid, often low-educated, workers were particularly affected during the initial phase of the crisis. So-called “frontline workers”, who put their health at risk, exposing themselves to the virus to ensure the continuation of essential services during lockdowns, are on average less well educated than the overall workforce and are more likely to earn low wages. This includes health care workers, but also cashiers, production and food processing workers, janitors and maintenance workers, agricultural workers, and truck drivers.

Outside the essential services, low earners are more likely to be working in sectors affected by shutdowns and are more likely to have suffered job or earnings loss. In the United Kingdom, for example, employees in the bottom decile of weekly earnings are about seven times as likely to work in shutdown sectors as those in the top earnings decile. In Canada, employment losses among low-wage employees, between February and April 2020, were more than twice as high as the losses among all paid employees. Evidence based on real-time surveys from a number of OECD countries suggests that, in April, those in the top earnings quartile were, on average, 50% more likely to work from home than those in the bottom quartile. At the same time, low-income workers are twice as likely to have stopped working completely.

Non-standard jobs offered less security and were concentrated in affected sectors

Workers in non-standard jobs – such as self-employed workers and those on temporary or part-time contracts – have been highly exposed to the job and income losses prompted by the pandemic. In the Netherlands, for example, 48% of self-employed workers experienced a reduction in hours, compared to only 27% of employees. In the United Kingdom, 75% of the self-employed report having experienced a drop in earnings in the previous week, compared to less than 25% of salaried workers. This exposure stems partially from the sectoral concentration of workers in non-standard jobs. And evidence from European OECD countries suggests that such jobs may represent up to 40% of total employment in sectors most affected by containment measures.

Meanwhile, workers on temporary contracts have been among the first to lose their job during the crisis as contracts that came to an end were not renewed. In France, for example, the increase in new unemployment claims in March and April 2020 was entirely driven by temporary agency workers and workers in temporary jobs whose contracts were not renewed. While in Italy the decrease in the number of jobs between the end of February and the end of April compared to the same period in 2019 was largely driven by reduced hiring on temporary contracts.

The vulnerability of workers in non-standard jobs is compounded, in most OECD countries, by their limited access to unemployment and sickness benefits. In the absence of *ad hoc* support measures, means-tested minimum-income benefits are often the only form of support that is available to workers who are not covered by unemployment insurance. These benefits, however, typically do not provide immediate support for workers on moderate earnings, whose primary income source suddenly falls away. Indeed, many OECD countries have introduced temporary emergency measures to close the gaps in income support that were revealed during the early phase of the crisis.

Young people risk facing long-lasting effects of the crisis

Young people risk, once more, being among the big losers of the current crisis. This year's graduates, sometimes referred to as the "Class of Corona", are leaving schools and universities with poor chances of finding employment or work experience in the short run. Meanwhile, many of their older peers are experiencing a second heavy economic crisis in their short careers. Initial labour market experience has a profound influence on later working life, and a crisis can have long-lasting scarring effects in terms of future employment opportunities and earnings. During the global financial crisis, across the OECD, almost one in ten jobs held by under 30-year-olds were destroyed, and the recovery was very slow, particularly for the disadvantaged. It took a decade, until 2017, before youth unemployment returned to its pre-crisis rate and the impact on the incidence of non-employment, low-pay and underemployment lasted longer still.

Early evidence already suggests that young people have been heavily affected by the COVID-19 crisis. They tend to hold jobs that are more precarious, and are overrepresented among workers in hard-hit industries, such as accommodation and food services. In the United Kingdom, even excluding students in part-time jobs, workers below 25 were about two and a half times as likely as other employees to work in sectors that were shut down.

Women have been fighting on many fronts

Women have played a key role in the health care response to the pandemic. They make up two-thirds of the health care workforce worldwide including 85% of nurses and midwives. However, beyond the health sector, early evidence suggests that the COVID-19 crisis, contrary to the global financial crisis, appears to have affected the employment and labour market prospects of women disproportionally compared to men. In the European Union, for example, the unemployment rate in March 2020 increased by 4.5% for women compared to 1.6% for men. In part, this may be because the short-term economic fallout from COVID-19 particularly affected sectors that rely on physical customer interaction, many of which are major employers of women. On average across OECD countries, women make up about 53% of employment in food and beverage services, 60% in accommodation services, and 62% in the retail sector.

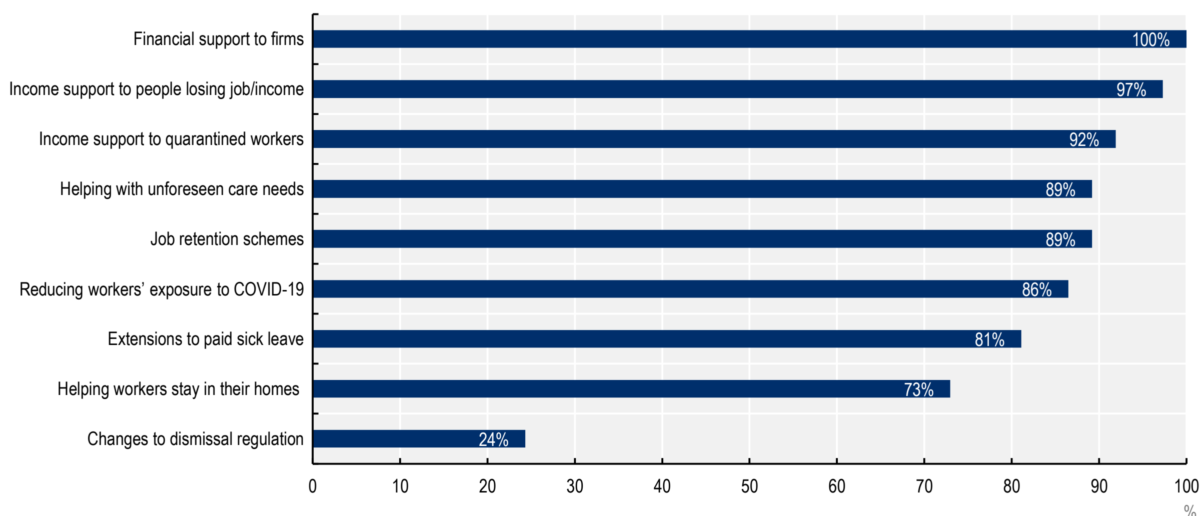
The crisis has amplified the burden of unpaid work, and much of this has fallen on women. Across the OECD, women tend to provide most of the unpaid work at home; spending on average around two hours more per day than men, even before the crisis. As schools and child care facilities have closed, the amount of time that parents spend on child care, supervision, and schooling has increased, and much of this additional burden has fallen on women. Single parents, most of whom are women, are particularly vulnerable. They were hit much harder than two-parent families by the closure of child care facilities and schools during confinement. Reliance on a single income also means that job loss can be critical for single-parent families, especially where public income support is weak or slow to react. More generally, women are often more vulnerable than men to any sharp loss of income. Across OECD countries, women's incomes are, on average, lower than men's, and their poverty rates are higher. Women often hold less wealth than men to use to cushion temporary income losses.

Immediate policy responses

The speed and severity of the shock were met with unprecedented levels of support, both in depth and in scope. As employees fell ill, were quarantined, or lost their jobs, paid sick-leave schemes and unemployment insurance kicked in – and several countries expanded their scope and increased their payments. Alongside this, many countries have eased companies' access to short-time work schemes stepped up means-tested assistance of last resort, introduced new ad-hoc cash transfers, and provided direct support for expenses. A summary of the main measures taken across the 37 OECD countries is provided in Figure 4, with further information available in the Chapter.

Figure 4. OECD countries introduced bold new measures in response to COVID-19

Proportion of countries adopting specific measures by category. Percentage of total OECD countries



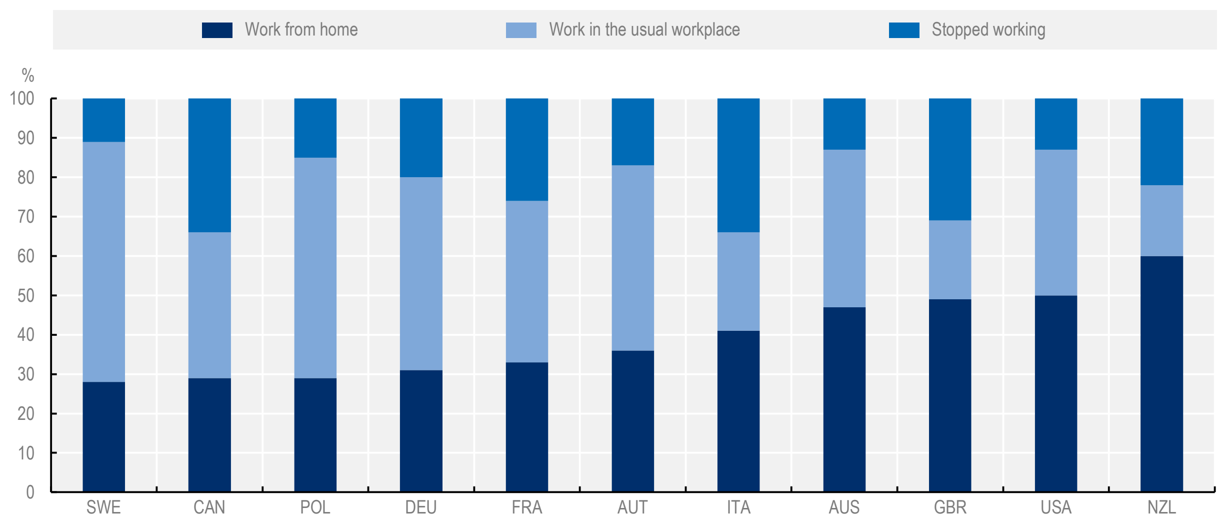
Source: *OECD Employment Outlook 2020* (Chapter 1), https://doi.org/10.1787/1686c758-en.

Minimising exposure to the virus and adapting to increased care needs

Evidence from previous epidemics shows that physical distancing in the workplace is the most effective measure, both to reduce the share of the population who contract the disease, and to delay the disease peak. Accordingly, to promote a rapid move to telework, many OECD countries took a series of measures to simplify its use, and provide support to companies adopting such practices. Italy, for example, simplified the procedure by allowing companies and employees to arrange teleworking without a prior agreement with trade unions, without written agreement and at the employees' place of choice. Other countries, such as Japan and Korea, offered a subsidy towards the cost of introducing flexible work arrangements. Some large tech companies, also stepped in providing companies and workers with assistance and temporarily free-of-charge access to some of their communication and sharing tools. Evidence based on surveys conducted in mid-April shows a massive surge in the share of workers working from home compared to the pre-crisis numbers. Figures on the share of workers working from home in April range from less than 30% in Sweden, to 60% in New Zealand (Figure 5). To minimise the risks of contagion among workers who could not work from home, several OECD countries restricted business operations to "essential" services and issued stricter sanitary guidelines – ranging from requiring the use of personal protective equipment, to restricting the maximum number of workers allowed to be physically present on companies' premises. Several countries defined comprehensive occupational safety and health standards in co-operation with social partners.

Figure 5. Between a third and one half of workers worked from home in April 2020

Share of total workers usually employed before the onset of the crisis, selected OECD countries



Source: Foucault and Galasso (forthcoming), "Working during COVID-19: Cross-Country Evidence from Real-Time Survey Data", *OECD Social, Employment and Migration Working Papers*, based on the REPEAT (REpresentations, PErceptions and ATtitudes on the COVID-19) survey.

Widespread use of sick leave plays an important role in allowing workers to self-isolate and hence controlling the spread of the disease. Almost all OECD countries provide financial compensation during sick leave to employees with permanent or temporary contracts. In most countries, employers cover an initial period of 5-15 days, or even longer, while publicly paid benefits extend for up to one year in many OECD countries. A minority of countries also provide mandatory sickness benefits – with significantly longer waiting periods – to the self-employed. However, casual workers and those with zero-hour contracts, often have no access, or only while at work.

In response to the crisis, 16 of the 38 OECD countries increased sick-leave entitlements for people with COVID-19, often through the introduction of new pandemic-related payments or top-ups. Korea, which has no mandatory paid sick leave scheme in place, provides exceptional paid sick leave through its 2015 Epidemic Act to workers who are hospitalised or quarantined because of COVID-19. The United States introduced two weeks of mandatory sick pay for workers with COVID-19-related symptoms for companies with up to 500 employees – the sick pay being paid by employers but fully reimbursed by the federal government. Many countries introduced additional changes, including the temporary removal of waiting periods, and relaxed medical certification requirements to facilitate isolation soon after the onset of symptoms, when viral load peaks.

Preliminary data from about a dozen OECD countries suggest that take-up of sick leave rose between 30% and 100% in the early phase of the pandemic (March to early April 2020), to account for between 4%

and 6% of the workforce. However, more recent data for a subset of these countries, indicate that the incidence of sick leave fell sharply, in late April and May 2020, to reach normal levels again, largely because of the high incidence of telework and the lower sick-leave incidence among these workers. Many OECD countries have supported employers by reimbursing sick-pay costs or offering public sickness benefits from day one. Prior to the reforms, implemented in response to the pandemic, on average, employers in OECD countries covered around 60% of the costs of a four-week sick leave. Following the reforms, this share fell to around 40% for sick workers and 30% for quarantined workers.

The widespread closure of schools and child care facilities rendered juggling full-time work, with home schooling and care, impossible for many workers with small children. Worldwide, more than 190 countries have closed their schools since the start of the crisis, affecting, a peak of more than 1.5 billion students. In most OECD countries, workers have a well-established right to leave, usually paid, to care for sick or injured children. However, except in cases of serious illness, the duration is often limited to a few days per episode, or a week or two per year. Parents' rights to special leave, in cases of school or child care facility closure, are less well established. Only a small number of OECD countries provide for such leave, and in some countries rights extend only as far as *unpaid* leave. In response to the COVID-19 pandemic, a number of OECD countries introduced, or extended, special paid leave (or income support for those on unpaid leave) for working parents who provide care at home while schools or child care facilities are closed. While in most cases, the right to such leave (or to income support during such leave) lasts for a fixed duration (ranging from ten days per parent in Korea up to four months total in Canada), in a number of countries, special leave extends for as long as schools and child care facilities are closed. To ease the additional burden on employers, most countries have looked to fund special leave largely or entirely through general taxation or social insurance. Self-employed workers with care responsibilities can find themselves in a particularly vulnerable position, as most countries exclude them from existing family care leave regulations. Faced with the pandemic, ten OECD countries extended paid care leave or income support to self-employed workers. However, the financial compensation offered to self-employed is sometimes lower than that provided to dependent employees.

Job retention schemes are cushioning the impact on open unemployment in a number of OECD countries

Mandatory business restrictions, quarantines and limitations on mobility have put companies under severe strain. As activity plummeted, even productive, well-managed firms faced major liquidity shortages in responding to their financial commitments to suppliers, employees, lenders, investors and the state. As demand collapsed and supply chains broke, companies also found themselves with excess capacity. This put jobs at risk on a large scale. To avoid massive layoffs, many OECD countries have made widespread use of job retention schemes. These schemes seek to minimise job losses by allowing firms experiencing a temporary lull in business, to receive support for a significant share of the wages of employees working reduced hours. By providing income support to workers whose hours are reduced, and a degree of stability for employers who are struggling to meet their expenses, these schemes can help to weather temporary disruptions, and enable a quick resumption of business, once economic activity resumes. Indeed, the use of these instruments goes a long way towards explaining why many OECD countries did not see the surges in unemployment seen in Canada and the United States.

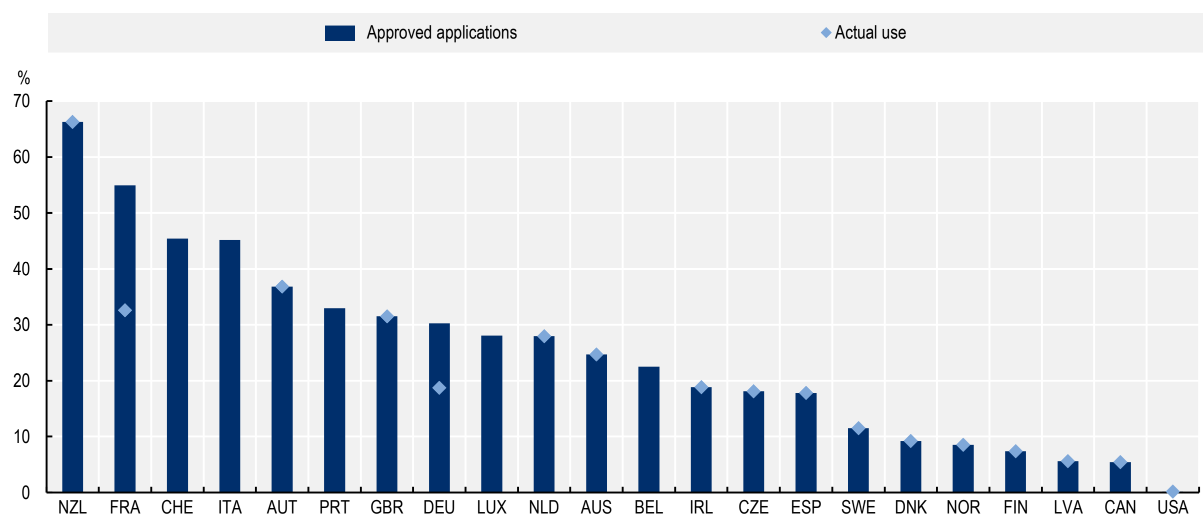
Job retention schemes can take the form of short-time work (STW) schemes that directly subsidise hours not worked, such as the German *Kurzarbeit* or the French *Activité partielle*. They can also take the form of wage subsidy schemes that subsidise hours worked but that can also top up the earnings of workers on reduced hours, such as the Dutch Emergency Bridging Measure (*Noodmatregel Overbrugging Werkgelegenheid, NOW*) or the Job Keeper Payment in Australia. They differ in their generosity for firms and workers and the requirements that they impose for eligibility (e.g. economic need, agreement by social partners) and on the behaviour of participating firms and workers (e.g. restrictions on economic dismissals, job search by workers). During the global financial crisis, STW schemes played an important role in mitigating both the economic and social costs.

In the early stages of the COVID-19 pandemic, countries across the OECD have relied heavily on job retention schemes – modifying existing schemes, or introducing new ones. Twenty-two OECD countries had STW schemes in place before the crisis. When the pandemic hit, these countries reacted fast to simplify access – for example by enabling firms to invoke the health crisis as a 'force majeure' via a simple declaration; to extend coverage – to new sectors or to non-standard workers; and to raise the generosity of STW schemes. The Netherlands replaced the existing STW scheme with a temporary wage subsidy, proportional to the reduction in sales, rather than working hours as in traditional STW schemes. While, a further eight OECD countries have introduced new job retention schemes combining elements of standard wage subsidies (for hours worked), with elements of STW schemes to top of earnings of workers on reduced hours. Wage subsidy schemes tend to be easier to implement and provide more flexibility to firms, allowing them to decide whether the subsidy is used to support hours worked or not worked. The choice of wage subsidy schemes, over pure STW schemes, in response to the COVID-19 crisis may also reflect the relatively low costs of layoffs in those countries that have newly introduced such schemes.

In the early months of the pandemic, companies made massive use of such job retention schemes; receiving public support when reducing the hours of work of their employees, or putting them "on furlough". Indeed, about 60 million workers across the OECD have been included in company claims for job retention schemes – though some of these workers may ultimately end up working their normal hours (Figure 6).

Figure 6. Participation in job retention schemes has been massive in some countries

Approved applications and actual participants in job retention schemes as a share of dependent employees



Note: Approved applications figures include workers who, ultimately¸ may end up working their normal hours. Data refer to end May except for Luxembourg and Switzerland (end April). United States: data refer to participation in short-time compensation schemes. Australia, Canada, Ireland, the Netherlands and New Zealand operate wage subsidy schemes, which are not conditional on the reduction in working hours. Take-up rates are calculated as a percentage of dependent employees in 2019 Q4.
Source: *OECD Employment Outlook 2020* (Chapter 1), https://doi.org/10.1787/1686c758-en.

To limit the increase in layoffs and encourage take-up of job retention schemes, a number of OECD countries have introduced restrictions to collective and individual dismissals – either via explicit bans or via increased scrutiny. Strict bans, however, may lead to company bankruptcies if access to job retention schemes and other support turns out to be incomplete, delayed or too costly, and risks further shifting the burden of adjustment onto temporary contracts.

Providing income security and employment support to affected workers

In spite of governments' bold efforts to protect jobs by expanding or introducing job retention schemes and providing emergency liquidity support to firms, millions of workers across the OECD have lost their jobs. Unemployment benefits and other out-of-work support programmes cushion income losses for households affected by job loss or by a large fall in self-employment income. They are crucial in reducing economic hardship and contribute to stabilising the economy by bolstering aggregate demand.

Workers in "standard" (i.e. open-ended, full-time) dependent employment tend to be comparatively well covered in case of job and income loss. For these workers, unemployment insurance benefits provide a first support layer in the initial phase of unemployment, replacing a share of previous earnings for a limited period of time. Some countries also operate unemployment assistance systems, which provide less generous support to jobseekers who lack the required employment or contribution histories, or who have exhausted their benefit entitlements. By contrast, workers in non-standard forms of employment tend to be significantly less well covered by social protection. And while coverage gaps tend to be larger for the self-employed, part-time workers and those with frequent transitions between employment and unemployment also find it difficult to access out-of-work support in some countries. Indeed, even before the COVID-19 crisis, many countries were already exploring how to shore up access to out-of-work benefits in the context of a changing world of work.

In the early weeks of the crisis, nearly two in three OECD countries took immediate steps to improve the accessibility and/or the generosity of "first-tier" unemployment insurance or "second-tier" unemployment assistance benefits. Many countries *widened access* to unemployment insurance benefits: by reducing or waiving minimum contribution requirements; by extending the qualification period; or by covering groups that had previously not been entitled (such as self-employed workers, those whose contract was terminated during a trial period, workers on unpaid leave, and jobseekers with a job offer that fell through when the crisis hit). Many countries *lengthened the duration* of unemployment benefit payments – either for a specific period of time, or automatically extending all expiring claims until the end of the health crisis, while a number also suspended benefit waiting periods, making support available from the first day of unemployment. A number of countries *raised benefit generosity* such as the United States, where the top-up of USD 600 per week made to all recipients (for a maximum of four months) even resulted in an average "replacement rate" of above 100%.

The crisis has accentuated the problem of social-protection gaps for workers in non-standard employment, who are excluded from qualifying for job retention or unemployment schemes due to limited or irregular working hours. These workers were among the most affected by earnings losses in the early stages of the pandemic and supporting their incomes was an urgent priority in many OECD countries. In normal times, minimum-income schemes provide a final line of defence for those at risk of poverty, and all OECD countries have some form of minimum-income schemes in place. Benefit levels, eligibility conditions, and actual coverage of low-income households, however, vary widely across countries. In the current crisis, countries with "tried and tested" minimum-income benefit programmes were in a good position to scale these up quickly; suspending or relaxing income and/or asset tests and waiting periods to deliver support faster and to widen the circle of potential recipients. Germany, for example, suspended asset tests, eased the income test, and reimbursed *all* housing costs (as opposed to "reasonable" housing costs before the crisis). This was particularly beneficial to the self-employed. Spain introduced an entirely new minimum-income benefit (*ingreso minimo vital*) rolled out across the country to complement existing regional programmes. Yet, while means-tested minimum-income benefits are often the only form of support available to workers who are not covered by social insurance, even in countries with well-developed systems, these benefits are not, typically, suited to provide immediate help for workers whose primary income source suddenly falls away, and who are unable to meet ongoing expenses. More importantly perhaps in the current situation, processing claims takes time; time that these workers and their families do not have as they see their livelihoods disappear and their bank accounts empty.

To help groups without access to existing minimum-income benefits, or where claiming such benefits was too time consuming to provide immediate relief, most OECD countries introduced new, often time-limited, cash support programmes for people in sudden and urgent need. Several countries introduced new cash transfers for self-employed workers. Often, these transfers were contingent on previous earnings, or on income losses incurred during the crisis. In Austria, for example, self-employed workers received a benefit replacing 80% of their net income loss compared to the same month in the previous year, up to a limit of EUR 2 000 a month. Yet determining the previous earnings of the self-employed is complex without a structure in place to do so. As a result, several countries have introduced flat-rate payments. Some countries have also introduced broader transfers to provide immediate relief to larger parts of the population. New programmes are sometimes specifically targeting informal workers and undocumented migrants, who are among the most difficult to reach in the current crisis. In Colombia, a one-off transfer is planned for 3 million households who do not benefit from existing programmes, while the state of California in the United States – where undocumented migrants account for 10% of the workforce – has announced that it will support these workers with a direct transfer.

Three OECD countries, the United States, Korea and Japan, have announced temporary universal payments to help the entire population make ends meet. The appeal of such payments is their simplicity: since universal transfers do not depend upon income, assets, or prior contributions, they avoid costly and time-consuming means tests, they can be rolled out quickly, and ensure no one falls through the cracks of the social-protection system. They are however, by design, poorly targeted. Many households receiving such support will not be in the greatest need. Meanwhile, payments will need to be substantial if they are to enable households who have lost most, or all, of their income, to make ends meet. Compared to targeted transfers, this may create very large budgetary costs, at a time of huge pressures on government spending.

Poor households, often with very limited savings, have suffered profoundly from the pandemic. Many food banks and other social services were forced to reduce or suspend their activities in response to distancing rules or staff absences, and simultaneous vast increases in demand. At the same time, the closing of child care facilities and schools during the lockdown deprived children from low-income families of subsidised school meals. As a result, many poor households face acute difficulties covering the costs of essential goods and services, notably food, housing and energy. Most OECD countries have stepped in to help vulnerable households make ends meet by permitting them to postpone paying bills, preventing evictions, or by providing in-kind support. A number of them have allowed for delays in big-ticket regular expenditures such as tax, rent and mortgage payments. Other countries have provided direct support with pandemic-related expenditures, notably health care. Various OECD countries have also extended in-kind support, partly to offset the closure of food banks and suspension of schools meals during the lockdown.

Employment services and training for jobseekers and workers

The unprecedented rise in jobseeker numbers in some countries, and companies' massive use of job retention schemes in others, pose an enormous challenge to benefit administrations and employment services. The vast volume of incoming support claims during the first weeks and months of the crisis, as well as the management of job retention schemes, pushed public and private employment services (PES) to the limits of their capacity. Meanwhile, liquidity-constrained businesses depended on fast claims processing to be able to cover operating costs, while many jobseekers anxiously awaited benefit payments to be able to pay for their rent and living expenses. Many OECD countries therefore took rapid steps to streamline and re-prioritise PES operations, build new infrastructure, while simultaneously adjusting to physical-distancing requirements.

To secure timely pay out of income support benefits, and rapid processing of job retention scheme claims, several countries simplified procedures; prioritised claim processing, or moved to online applications. Switzerland doubled the renewal period for its STW scheme from three to six months, reducing the number of applications and speeding up the approval process. PES in several countries relaxed application procedures for out-of-work support, automatically renewed benefits during the confinement period, or freed up resources by temporarily scaling down or suspending other, less essential, services.

Soaring caseload numbers, physical-distancing requirements and the inability to look for a job during the pandemic also forced PES to adapt their ways of supporting jobseekers and their capacity to monitor job search behaviour. Most OECD countries have explicit job search reporting procedures, aiming to direct jobseekers to look for work more intensively and earlier on. As a result, many PES temporarily suspended job search requirements, while others did not apply sanctions.

At the height of the pandemic, most PES suspended in-person training, job fairs and caseworkers' networking activities to respect physical distancing. Across the OECD, however, governmental and non-governmental actors have offered new training via digital channels – in many cases developing courses to address immediate demand pressures. The Swedish Sophiahemmet University, for example, developed a course for the medical training of laid-off staff in the airline industry, and another for elderly care training among hospitality workers.

The way ahead

In the absence of a vaccine, or effective treatments for the virus, countries that are now moving to the re-opening phase must strike the balance between allowing business and social activity to resume, while avoiding a new spike in infections. Some mitigation measures must inevitably remain in place, both for people and business alike. Meeting this challenge will be essential to avoid the need for renewed mandatory restrictions.

During the initial weeks and months of the crisis, countries moved fast providing emergency support to keep households and companies afloat, and prevent the economy from collapsing. In the coming months, policy makers will need to maintain this agility; they will need to modify, and adjust the composition and characteristics of their support packages, targeting support where it is needed most, and encouraging a return to work where possible.

1. Staying safe

Solving the health crisis is an essential precondition to solving the economic and jobs crisis. And, while the development of a vaccine is likely many months away, a comprehensive package of public health interventions – ranging from largescale testing, tracking and tracing, to enhanced personal hygiene, and continued physical-distancing policies – will go a long way towards averting a second wave. Meanwhile, for workers who do not need to be physically present at the workplace, working from home may remain a viable way to ensure the continuation of work without incurring the risk of contracting the virus while commuting and working.

In addition to defining appropriate practices in government guidance, laws, and regulation, ***firms will require support to implement workplace health and safety practices*** (for example, via tax credits). In many countries, collective bargaining and social dialogue have recently proved instrumental in ensuring safer workplaces. The guidelines and codes of good conduct established by social partners, and the agreements signed between employers and trade unions in this area, for example in Denmark, France, Italy and Spain, show how social dialogue and collective bargaining can be mobilised to complement public action

Alongside these changes, isolating workers who are ill will remain central to keeping the spread of the disease at bay. Automatic extensions of sick-leave rules through epidemic laws have proven effective in countries where such laws exist, particularly for workers on quarantine. More generally, however, ***extraordinary paid sick-leave entitlements should be kept in place and extended to groups of workers who are not covered***. The crisis has accentuated long-known gaps in paid sick-leave regulations in a number of OECD countries. These countries, some of which have introduced new mandatory regulations for the first time in history, should consider closing these gaps permanently.

At the same time, when workers who have been on paid sick leave can safely return to work, governments will have to reintroduce incentives and employment support. In particular, it will be important to prevent paid sick-leave systems from becoming a pathway to disability benefits for the long-term unemployed, as has happened in many OECD countries in the past after a recession. This is crucial in the current context, as some workers currently on sick leave or quarantine may not be able to return to their job. ***Connecting workers on sick leave with occupational rehabilitation and employment services will be critical to prevent long-term labour market exit.***

2. Adapting job retention schemes

Job retention schemes, government-financed STW and wage subsidy schemes appear to have averted an initial surge in unemployment in a number of countries. However, designed mainly to provide immediate support, they now need to be adapted to ensure sufficiently strong incentives for firms to move off support, and for workers to move into viable jobs. This would reduce the pressure on public budgets as well as the risk that job retention schemes become an obstacle to the recovery by curbing job reallocation towards more viable and productive firms. Concerns about potential abuse, already raised in the early phase of the crisis, may become more prominent if some firms claim support for shortened hours even after workers have resumed their normal schedules.

The main challenge going forward is to focus job retention schemes on jobs that, despite a short-term risk of being terminated, would likely remain viable in the longer term. This will be a challenge in the current climate and, to avoid a sudden surge in layoffs, ***job retention schemes should be adapted with caution, in line with evolving economic and health conditions, and the sector-specific consequences.*** To do this, governments have a number of policy levers that they can employ:

- ***Require firms to bear part of the costs of STW schemes.*** Requiring firms to participate in the costs of hours not worked increases their incentives to limit requests to jobs that they believe can re-start after the crisis. To avoid reinforcing financial difficulties, employer participation can take the form of delayed-payment or zero-interest loans.
- ***Support should be time-bound, but limits may need to adapt to evolving circumstances***. Imposing limits on the maximum duration of job retention schemes helps to reduce the risk of supporting jobs that are no longer viable, even in the longer term. However, the ultimate duration of job retention support may need to adjust according to the evolving health and economic situation. Activities that are still prevented from operating will require support for longer than activities that have restarted.
- ***Promote the mobility of workers from subsidised to unsubsidised jobs.*** This can be achieved by requiring or allowing workers on STW to register with the PES and benefit from their support (e.g. job search assistance, career guidance and training). Early interventions can be very effective in promoting smooth job transitions.
- ***Promote participation in training while on reduced working hours***. Making use of reduced hours to undertake training can help workers improve their productivity in their current job or improve the prospect of finding a different job. Several countries encourage training during STW by providing financial incentives to firms or workers. In others, participation in training is a requirement for receiving STW subsidies.

3. Ensuring adequate income protection

With OECD unemployment projected to rise well above the level attained during the global financial crisis income support systems across OECD countries will be put under severe pressure. Income support for jobseekers and their families is provided through a variety of programmes – including unemployment insurance and assistance, minimum-income benefits, as well as other transfers that may or may not depend on the family's income situation. Among these, unemployment benefits are, in principle, best suited to provide an effective combination of income support, job search incentives and access to re-employment services. Going forward, however, a key question will be whether benefits that are available for longer periods delay the recovery by reducing job search incentives. Evidence drawing on experience during the global financial crisis suggests that extended benefit durations are less likely to harm employment outcomes during a severe downturn. When benefit durations are short and many unemployed exhaust their benefits without finding employment, countries should therefore review benefit provisions, and consider temporary extensions. Linking maximum benefit durations to the economy-wide unemployment rate is one approach to balancing support with the need to encourage continued job search. ***"Mutual obligation" requirements, which commit jobless benefit recipients to active job search efforts, should be progressively re-established*** where they have been relaxed or suspended during lockdown. In addition, accompanying any benefit extensions with "soft sanctions", such as requiring longer-term claimants to re-apply, introducing waiting periods between claim periods, or reducing benefits over time, can help to encourage job search.

Governments will also need to re-assess temporary programmes introduced to support self-employed workers and small businesses in the initial phase of the crisis. These programmes were designed to deliver support at speed, often with limited concern for targeting, and where such schemes are not linked to past earnings, this link should now be introduced. More generally, this crisis has highlighted that ***there is a need to let self-employed workers build up rights to the types of out-of-work support available to dependent employees.*** While including the self-employed in earnings-related social-protection schemes can be fraught with moral hazard and other administrative concerns, several countries have been successful in establishing well-designed policies that work for their circumstances.

As jobseekers exhaust their unemployment benefit entitlements, and as workers in non-standard jobs run down their savings, demand for "last-resort" minimum-income benefits is likely to rise. ***Effective targeting of minimum-income benefits will be important as fiscal pressures mount, but countries need to ensure that those in urgent need continue to receive support.*** For example, countries could gradually reintroduce income tests to allow households to adjust their expenditure, while relaxing asset tests (e.g. exempt the family home or business assets) for as long as job opportunities remain scarce. Countries may also want to expand these programmes to cover young adults, where this is not already the case.

4. Expanding employment services and training

Some jobseekers may be able to seize on job opportunities that arise, even in times of crisis, including in essential occupations. Others may require assistance and encouragement to find new work. For these individuals the crisis may represent an occasion for up skilling or retraining, to increase their employability and avoid falling into long-term unemployment. As economies open, public and private ***employment services can play a role in supporting workers to move from sectors operating below capacity, to those that have picked up faster.*** Such job transitions are easiest when skill requirements are similar, and ultra-short courses may be sufficient to support some displaced vocational and technical workers to move into occupations that are in demand.

Past evidence shows that active labour market programmes (ALMPs) tend to have a larger impact in periods of slow growth and higher unemployment, and countries should scale up those ALMPs that have proven effective. ***Countries may consider promoting job creation by temporarily scaling up time-limited hiring subsidies, or raising incentives to take up work by offering re-employment bonuses for jobseekers*** as many OECD countries did during the global financial crisis.

The crisis may also be an occasion for countries to modernise employment services and make them more flexible. PES with well-developed digital services (such as e-services for users and automated back-office systems) and staff teleworking arrangements found themselves much better prepared to respond to the crisis and keep their service offers intact. In countries where these areas are still less developed, such innovations could contribute to making services available to a large number of jobseekers while respecting physical-distancing requirements. ***Alongside strengthening digital services, PES will need to develop strategies to identify and support jobseekers without digital skills*** and those with complex needs in times when the scope for face-to-face interactions may remain limited. PES in many countries will need to build up capacity and avoid neglecting support and services that may have been of secondary importance during the initial phase of the crisis (e.g. career advice, counselling). All of this will require equipping PES with additional resources.

5. Giving young people the support they need

To prevent the crisis from leaving long-lasting scars on young people's careers, countries need to act quickly and help young people maintain their links with the labour market and education system. School closures have raised the risk of school dropout, and temporary contracts are not being renewed. Many internships and apprenticeships are being cancelled, and new graduates face great difficulties getting their first foothold in the labour market. High and persistent youth unemployment in the aftermath of the global financial crisis showed that once young people have lost touch with the labour market, re-connecting them can be very hard.

Support for companies who offer jobs or work experience to young people have proven an effective tool to promote job creation in times of crisis. Some countries are introducing subsidies to help companies expand their apprenticeship and in-firm training programmes. In times of depressed labour demand, volunteering can be a useful alternative for young people to gain practical experience and acquire new skills, and governments could encourage its use through grants.

Effective outreach strategies are crucial to re-establish contact with young people who recently lost their jobs or left school without finding employment. Young people often have little automatic contact with the PES, because they are not entitled to income support. Many do not request PES support due to a lack trust in public authorities or because they are simply not aware of the support they could receive. Rapid and proactive outreach – in collaboration with schools and youth organisations and through social-media campaigns – may be particularly important in the current crisis.

The OECD Action Plan for Youth sets out a toolkit of measures that countries and stakeholders can take to promote better outcomes for young people. This includes cost-effective active labour market measures, such as counselling, job search assistance, entrepreneurship programmes, and intensive support for more disadvantaged youth. Increased use of online support and virtual-learning platforms, including in vocational education and training, can allow the PES and education providers to continue offering their services while meeting physical-distancing requirements.

Overview of the rest of the volume: Worker security

Protecting individuals against labour market risks is a key pillar of the *OECD Jobs Strategy*. The unprecedented health and economic crisis that the world is currently experiencing with the COVID-19 pandemic has shone the spotlight on the crucial importance of well-designed worker security strategies to protect workers and households against unforeseeable shocks.

Effective social safety nets are fundamental for cushioning income shocks. And unemployment benefits are among the key instruments providing protection against earnings falls resulting from job losses. Yet a number of workers do not meet the entitlement or eligibility criteria to receive benefits and are therefore at greater risk of facing severe income losses. On average, only about one-quarter of jobseekers receive unemployment benefits. The additional evidence provided by previous editions of the *OECD Employment Outlook* suggests that social safety nets are particularly weak for the self-employed, although a number of countries have extended access to out-of-work support for this category of workers during the current crisis (see above).

Chapter 2 of this volume sheds further light on safety net disparities by looking at the **uneven access to unemployment benefits for different types of dependent employees**. Even if entitlement rules are usually the same for all dependent employees, conditions on minimum employment durations, working hours or earnings before the unemployment spell, are often harder to meet for those who lose a part-time job or have an employment trajectory involving frequent transitions between employment and unemployment. The same applies to the rules for unused entitlements, which in a number of countries may put workers alternating short spells of employment and unemployment at a disadvantage compared with employees with fewer transitions and longer unemployment spells. Consequently, even when workers are in the same family and income situation, have the same average annual wage and have accumulated the same number of hours of work as dependent employees over a given period, entitlements tend to be smaller for those with non-standard employment trajectories than for those who were previously in long-term, full-time positions. In turn, the risk of falling into poverty tends to be greater for workers in non-standard dependent employment.

Correcting the possible inadequacy of benefit entitlements to provide more income security may be challenging, however. Avoiding trade-offs between benefit generosity and work incentives can be like walking a tightrope, as Chapter 2 shows. Nevertheless, **several policy instruments can be used to create a policy mix that strikes the right balance between work incentives and income security:** customised extensions of employment reference periods; earnings disregards and withdrawal rates when combining earnings from work and unemployment benefits; waiting periods and tight rules on the retention of unused benefits; differentiated contribution rates by type of contract; integration of in-work and out-of-work benefits; and co-ordination of active and passive labour market policies.

Protecting workers against income shocks following job losses is, however, costly. Yet, individual employers typically do not factor in the social costs of unemployment benefits when they take their decision to dismiss a worker, nor other social costs, such as firm- and sector-specific human capital destruction, negative health effects (particularly psychosocial risks) and possible intergenerational consequences. **Experience rating** of unemployment and other social security contributions and **employment protection legislation** (EPL), in particular regulations concerning individual and collective dismissals, **are the primary instruments that policy makers can use to induce employers to avoid socially inefficient dismissals** (those which are decided without taking account of their social impact).

Chapter 3 provides an up-to-date comparative review of where OECD countries stand as regards employment protection legislation (EPL). To do this, the chapter develops a new version of the OECD EPL indicators, which takes more account of regulations for collective dismissals, enforcement issues and regulations concerning unfair dismissals.

As Chapter 3 underlines, **EPL has several dimensions and its effects on worker security may depend on the balance among them**. For example, sufficiently long advance notice periods are crucial to allow early interventions by employment services before the dismissal takes effect, thereby facilitating the transition to another job. This suggests that countries with short notice periods and high severance pay could consider reducing severance pay and increasing notice periods, while activating early interventions, to smooth job transitions without increasing costs to employers. Similarly, EPL measures against unfair dismissals play a vital role in preventing abuses, but clear enforcement rules are necessary to avoid creating uncertainty. Moreover, excessively stringent EPL rules harm worker security both directly, by reducing hiring and making jobless spells longer, and indirectly, by slowing growth in productivity and, therefore, wages and incomes. A balanced employment protection framework that provides effective adaptability for firms and adequate protection for workers is thus required.

As stressed by the *OECD Jobs Strategy*, however, **one of the best ways of protecting workers and promoting an inclusive labour market is by addressing problems before they arise**. This means that preventive policies are at least as important as remedial policies. Preventive measures can enable workers to avoid many of the social and financial costs associated with labour market risks (such as unemployment, sickness and disability) and to enjoy better jobs and careers. Education, training and skills policies play a fundamental role in this context and countries therefore need to develop high-quality education and training systems that enable workers to acquire and develop the skills that are in demand in the labour market. The last two chapters of this volume focus on the demand and supply of skills.

The share of middle-skill jobs – occupations in the middle of the wage distribution – declined in OECD countries over the past two decades due to falling demand for these jobs. At the same time, the shares of both high-skill and low-skill occupations have increased. The causes and consequences of this phenomenon, termed *job polarisation*, have been the subject of a heated debate in the economics and policy literature. The contribution of Chapter 4 is, first and foremost, to dispel a myth. A popular perception is that the contraction of middle-skill occupations has occurred through firms increasingly dismissing middle-skill workers and forcing mid-career workers to find new employment in other skill groups. While downsizing, especially of manufacturing firms, has obviously played a prominent role in specific situations, such transitions do not appear to explain the aggregate polarisation trend. Rather, **the gradual retirement of older middle-skill workers and the different entry patterns of younger workers in other, growing occupations appear to drive job polarisation**.

Policy makers consequently have to pay special attention to education choices and the transition between school and work. Vocational Education and Training (VET) programmes lead to market-relevant, vocational qualifications and typically enhance student engagement in education, reduce school dropout rates and facilitate school-to-work transitions. However, there is a growing concern that the increasing polarisation of the labour market may be having a negative impact on the labour market performance of non-tertiary VET graduates, who are typically preparing for middle-skill occupations. The results of Chapter 4 add to this concern, as young generations appear to be bearing the brunt of job polarisation. Chapter 5 therefore re-examines the labour market performance of middle-educated VET graduates. Reassuringly, it finds that these graduates maintain a labour market advantage over their general education peers on labour market entry, although this advantage tends to disappear later in the career and their performance is worse than that of higher education graduates, even at labour market entry. Middle-educated VET graduates have managed to maintain their position in shrinking middle-skill occupations by increasing their share in these occupations relative to other groups. However, in some occupations that have a larger share of VET graduates among their young workers, the supply of labour with the relevant skills exceeds the corresponding demand, and many of these typical VET jobs are at high risk of automation. In a number of countries, **to reinforce the positive impact VET systems can have on the labour market outcomes of VET graduates, some re-engineering of VET programmes may be necessary**, including reinforcing their foundational skills component and developing closer co-operation between VET institutions and social partners, as occurs in a number of countries with successful VET systems.

For more information

The digital report is available at ***https://oe.cd/employment-outlook***

The full report is available at ***https://doi.org/10.1787/1686c758-en***

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