



## **INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE**

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**Statement by Mr. Ryder  
International Labour Organization**



## Statement by Mr Guy Ryder, Director-General, International Labour Organization, to the International Monetary and Financial Committee

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### *Summary*

The human dimensions of the COVID-19 pandemic are devastating. Recovery requires an immediate human-centred response through global solidarity.

Fighting the health crisis, which remains our first priority, has caused a simultaneous economic and social crisis. Full or partial lockdown measures, necessary to stem the pandemic are now affecting almost 2.7 billion workers, representing around 81 per cent of the world's workforce.

Businesses across a range of economic sectors are facing catastrophic losses, which threaten their operations and solvency, especially among smaller enterprises, while millions of workers are vulnerable to income loss and layoffs. The impact on income-generating activities is particularly strong for unprotected workers and those in the informal economy.

As of 1 April 2020, the ILO's new global estimates indicate that working hours will decline by 6.7 per cent in the second quarter of 2020, which is equivalent to 195 million full-time workers. The final tally of annual job losses in 2020 will depend on the evolution of the pandemic and the measures taken to mitigate its impact.

Policy responses need to focus on providing immediate relief to workers and enterprises in order to protect businesses and livelihoods, particularly in hard-hit sectors and in developing countries, thus ensuring the conditions for a prompt, job-rich recovery once the pandemic is under control.

**The employment and social impact of the COVID-19 pandemic**

The human dimensions of the COVID-19 pandemic are devastating. The unprecedented shock to economies and labour markets, together with the tragic loss of life due directly to COVID-19, makes this the worst crisis since the Second World War.

### **Employment losses are dramatic**

Workplace closures have increased so rapidly in recent weeks that 81 per cent of the global workforce lives in countries with mandatory or recommended closures. In upper-middle-income countries, this represents 87 per cent of the workforce and 70 per cent in high-income countries. COVID-19 is now also impacting the developing world where capacities and resources to respond to the crisis are severely constrained.

The employment impacts of COVID-19 are unprecedented. Lockdowns and other measures have impacted employment directly and on a greater scale than predicted at the start of the pandemic. [ILO global estimates](#) released on April 7 show an unprecedented reduction in economic activity and working time. Working hours will decline in the current quarter by around 6.7 per cent, which is equivalent to 195 million full-time jobs (assuming a 48-hour working week). This implies that many workers across the globe will face an income loss and a greater poverty risk. The greatest decline is expected in upper-middle-income countries, but the impact is comparable across all income groups.

Forecasts for global unemployment over 2020 will depend on the economic recovery as well as on the effectiveness of the policy response to boost labour demand. As it stands, there is a high risk that the increase in the global number of unemployed at the end of 2020 will be significantly higher than our [initial projection](#) released on 19 March of 25 million additional unemployed resulting from the COVID19 crisis. At the end of 2019, 188 million people were unemployed globally and another 285 million people were underemployed or marginally attached to the labour market.

The impact on the 2 billion workers who were informally employed and the 630 million workers who did not earn enough to lift themselves and their families out of extreme or moderate poverty<sup>1</sup> worldwide before the pandemic will similarly depend on the speed of

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<sup>1</sup> Defined as them earning less than US\$3.20 per day in purchasing power parity terms.

the recovery as well as on the effectiveness of policy responses to effectively protect their lives and support their livelihoods and incomes.

### Specific sectors are most at risk

Most lost working hours and jobs will occur in a few hard-hit sectors. The ILO estimates that 1.25 billion workers – almost 38 per cent of the global workforce – are employed in sectors that are the most severely affected by the lockdowns, quarantines and social distancing. These most at risk sectors are wholesale and retail trade, accommodation and food service, manufacturing and real estate, business and administrative activities. Workers in these sectors are facing a drastic reduction in working hours, wage cuts and layoffs.

The wholesale and retail trade sector represents the largest employment share globally with 482 million workers. Workers in this sector are typically low-paid and unprotected by unemployment or sickness benefits. Faced with no income replacement, these informal workers will continue working, putting their health at risk to feed their families, increasing the spread of the virus and deepening poverty and inequality. As the virus is spreading rapidly in a number of developing countries with high shares of informality, the challenge is daunting. In India, about 400 million workers in the informal economy are at risk of falling deeper into poverty because of the crisis.

## The policy response to the COVID-19 pandemic

### Immediate steps

Policy responses are needed along four interrelated pillars.

First, **stimulating the economy and labour demand by using all macroeconomic tools at our disposal**. The international community's call to support aggregate demand through accommodative monetary policy and coordinated fiscal policies is timely and welcome, and needs to seek to replicate the success of the G20's coordinated policy response to the global financial and economic crisis in 2009. Public expenditure to invest in health systems is crucial in building resilience against COVID-19, but also offers an opportunity to create decent jobs in a sector with [large decent work deficits](#).

We strongly support the joint call by the IMF and World Bank for bilateral creditors to suspend debt payments from IDA countries on request, beginning right now. The poorest countries among us should not be forced to choose between honoring their debt obligations and protecting their people, who comprise two thirds of those living in extreme poverty. Global solidarity requires such urgent action.

The first wave of stimulus is not enough. We will need macro policies that build toward the medium-term recovery. Direct government intervention will be needed after the most acute health emergency and containment phase. The effect on commodity prices, capital flows and disruptions in trade and supply chains will affect the capacity of many countries to recover better. Therefore, international financial support and coordinated fiscal and monetary policies will be absolutely essential to support the global recovery to the benefit of the weakest as well as the strongest economies.

Second, **supporting enterprises, jobs and incomes**. As governments assemble their fiscal stimulus packages, they should strive for a judicious balance in assigning proportionate financial support to enterprises to retain workers, as well as income support and employment services to those who have lost their jobs and who were without work before the crisis began.

Enterprises – the global engine of jobs and growth – need immediate relief in this survival phase. We cannot recover from the crisis if we allow enterprise failure on a large-scale, with its attendant effects on the workforce.

Enterprises need temporary relief from a range of financial obligations as well as a moratorium on rent and other capital costs. Employment retention schemes, including short-time work arrangements and partial unemployment benefits have been put in place in a number of countries. Stimulus packages should continue to provide subsidies for employment retention. These packages must include large infusions of cash and credit, delivered swiftly to support business continuity. Digital delivery mechanisms can help with speed and timing, including to the smallest of enterprises and those in the informal economy. Credit institutions should reschedule payments and offer loans at very low or no interest.

While that is essential to prevent a devastating scale of enterprise collapse, at the same time, current packages must also prioritise the provision of income support for all workers.

Social spending, particularly on targeted transfers and automatic stabilizers, such as unemployment benefits, must be prioritised in each country's stimulus package. The positive role of social protection to mitigate the negative fallouts from shocks is well proven, and this crisis has confirmed social protection's vital role as a social buffer and economic stabiliser. Both developed and developing countries need more flexibility for deficit financing and concessional international borrowing to support investments in social protection systems. In more advanced countries, even though the social protection systems have financial buffers in place to absorb increased expenditure and reduced revenue in a case of a crisis, the magnitude of the current crisis might require the allocation of significant additional funding to ensure continuity of benefits and services to all those who need them. In countries that do not yet have sufficiently solid health and social protection systems in place, further efforts will be necessary to ensure an immediate crisis response, and temporary external support may be required to safeguard the necessary investments in health, education and social protection.

Third, **protecting workers in the workplace**. During the pandemic we have come to rely on millions of dedicated workers in health care and essential services who continue to report to work each day despite the risks to their own well-being. About 70 per cent of those workers are women. We must protect them in the workplace through strong occupational safety and health measures, starting with rapid provision of adequate personal protective equipment. This requires equally rapid adaptation of our supply chains to manufacture what we need.

All workers, employers and their families should be protected from the health risks of COVID-19. With less than two-thirds of all countries having a social insurance and/or social assistance scheme in place providing sickness benefits, the ill are often forced to choose between endangering personal and public health and paying their bills. It is therefore crucial to enhance universal access to collectively-financed health services for all, including uninsured workers and their families, and to expand access to collectively-financed paid sick leave, sickness benefits, and parental/care leave to ensure income security for those who are sick, quarantined or caring for children, elderly or other family members.

Whenever possible, protecting workers means encouraging appropriate flexible working arrangements, such as teleworking. These adaptations of working arrangements need to respect fundamental principles and rights at work, including non-discrimination, and must be designed and implemented in dialogue with employers' and workers' representatives.

Fourth, **utilising social dialogue for solutions**. Building confidence through trust and dialogue is crucial to make policy measures effective. We know from experience in earlier crises that social dialogue results in strong, consensus-driven policy responses and ensure they serve those who most need them.

But these measures are just a first step.

### **Medium-term steps**

The labour market and social outcomes of the recovery crucially depend on the effectiveness of national and global responses in supporting aggregate and labour demand in the medium term.

Experiences from previous crises show that the first signs of recovery are often accompanied by calls for austerity and fiscal consolidation. When the immediate health crisis subsides, it is imperative that countries continue their support to enterprises, especially micro-, small and medium ones, expand their labour market interventions to get people back into work and sustain social protection measures and social spending. This will ensure that people are protected against the adverse economic and social consequences that might materialise with a time lag, as well as any future crises.

The COVID-19 crisis has revealed the extent of decent work deficits worldwide: the devastating consequences of gaps in social protection coverage, including for part-time, temporary and self-employed workers; the precarious situation of many micro-, small and medium enterprises; and the weaknesses of global supply chains, including the consequences for those who work across those chains.

The crisis has expedited much needed reforms by encouraging numerous governments to extend social protection to uncovered groups, release liquidity constraints for SMEs and rely on social dialogue for effective solutions. These are important steps towards promoting decent work.

### **Recovering differently - people and planet at the centre**

#### **Socially just societies**



The crisis has uncovered the huge decent work deficits that still prevail in 2020 and shown how vulnerable millions of working people are when a crisis hits. From self-employed workers in high income countries and day labourers in low income ones to nurses and care workers with low wages and difficult working conditions, labour rights, social protection and social dialogue have been brought back to the fore. This calls for reaffirming the principles of social solidarity that underpin universal social protection and its centrality to ensuring socially just societies. This calls for ensuring universal rights for all workers, independently of their employment status. We must continue to rely on dialogue with trade unions and employers' organisation to arrive at solutions that put people first. We cannot afford to erode the progress toward human-centred responses made during the crisis.

### **Environmentally sustainable societies**

The crisis is also showing us that we can live and work differently. As lockdowns impose on people to stay at home, air and noise pollution have decreased. Global carbon emissions could fall by 4 per cent in 2020<sup>2</sup>. As fishing and mining are put to a halt, natural resources are left untouched and fauna and flora are regaining ground. The crisis demonstrated that habits and behaviours can change. It is also teaching us that our economic system, by fuelling inequalities, is making the impact of the pandemic on people worse.

Instead of reverting to our previous models, as we re-start let us examine the possibilities to do so in a new direction. We need a human-centred recovery agenda. We must aim to build back better so that our new systems are safer, fairer and more sustainable than those that allowed this crisis to happen and more effective in cushioning the consequences of future crises on people around the globe. This will require global solidarity and an unrelenting commitment to protect everyone. We are only as strong as the most vulnerable among us.

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<sup>2</sup> However, to prevent 1.5 °C of warming, the world would need to cut emissions by 6 per cent every year for the next decade. See: <https://www.technologyreview.com/2020/04/10/999230/we-halted-the-global-economy-and-emissions-still-wont-decline-as-much-as-we-need/>