The Road Less Travelled? The Prospects for Decent Work After Covid-19

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Introduction

The COVID-19 pandemic and the multiple economic shutdowns imposed to contain the spread of the

virus have had disastrous impacts on workers and their families worldwide. Rates of unemployment,

hunger and homelessness have all risen and there is a risk that extreme poverty will rise in the coming

years (World Bank, 2020). Workers who remain employed, including many informal workers, have

faced downward pressure on wages and increased work intensity alongside ongoing health risks.

Workers from marginalized groups have been disproportionately affected, and as economies begin to

reopen, the heightened risks of hiring discrimination have the potential to widen inequalities further.

Thus the prospects for decent work, defined by the ILO's four pillars of social protection, social

dialogue, job creation and rights at work, appear bleak.

At the same time, a paradox has emerged whereby governments of all political colours around the

world have massively expanded social protection and have moved quickly to prevent further job

losses through the implementation of wage subsidies and short working time schemes. While there are

huge discrepancies between financial resources available for these efforts among developed and

developing countries (Ghosh 2020<sup>1</sup>), world-wide levels of unemployment have not reached the

heights predicted by some, and jobs have recovered quicker than expected as the vaccine rollout

continues (OECD, 2021). The United Nations as a key international organisation (IO) has implored

<sup>1</sup> https://peri.umass.edu/press-events/multimedia/item/1269-impact-of-the-covid-19-pandemic-on-the-

global-economy

policy makers not to abandon the UN Sustainable Development Goals (SDGs) in the rush to recover from Covid-19, and has positioned decent work for all as a key plank of a human centred recovery (see also, OECD, UNDP, UNCTAD). At first glance, this appears to have gathered momentum; the more orthodox international organisations such as the World Bank and the IMF now recognise an important role for the state in stabilising markets, and have argued in favour of targeted support for women, young workers, and those in informal employment. A number of flagship reports and policy briefs go further, making the case for economic transformation – for governments to invest now to create good jobs in the green economy and to steer the digital revolution for decent jobs, as a route to increasing global employment and living standards in the long-run.

How then should we make sense of these many and somewhat surprising developments: do they indicate a global shift in economic thinking and the emergence of a new model of 'state capitalism' (Berry et al., 2020)? Is this evidence that the decent work agenda of the ILO will form a core part of the efforts to build back better? Or is this just empty rhetoric and should we anticipate that short-term emergency measures will be followed by a return to the status quo (as we saw after the 2008-9 financial crisis, Crouch, 2011)? Will the apparent concerns about job quality and sustainability yield to traditional strategies of labour market activation and large scale job creation schemes?

We explore these alternative prognoses through an analysis of the various emergency policy measures adopted by governments around the world in response to Covid-19, alongside a discursive analysis of flagship reports published in 2020 and 2021 published by a selection of international organisations (the ILO, IMF, OECD, UNDP, and World Bank), as well as supplementary and interim reports, and public statements by key figures from within IOs. In order to narrow the analysis, the article asks two specific questions: to what extent have policy responses prioritised the four pillars of decent work (job creation, rights, social protection and social dialogue)? To what extent is decent work an explicit or implicit part of the recovery narrative of IOs? Given the highly skewed impacts of Covid-19 we specifically consider those policies and strategies targeted at informal, precarious and low wage workers (who are more likely to be women, younger workers, migrants and workers with low levels of education).

# Covid-19: a crisis like no other?

The covid-19 pandemic is an unprecedented human crisis that has damaged the health, economic wellbeing, and social security of the global population. The pandemic has claimed nearly 3 million lives worldwide and many more are living with the long-term effects of covid-19. The GDP loss (relative to 2019) was nearly US\$4 trillion which is equivalent to 4.4% of global GDP, and some 8.3% down on the year prior. There are also significant variations in GDP loss across countries; ranging from less than 5% in Finland, South Korea, and Taiwan to over 20% in Spain and the UK. The aggregate economic shock arising from lockdown measures and a slowdown in global trade was estimated to have contributed to the loss of 8.8 per cent of global working hours relative to the fourth quarter of 2019, which is equivalent to 255 million full-time jobs<sup>2</sup>. Furthermore, the average number of working hours per person/week dropped by 2.5 hours from 27.2 hours per week in 2019 to 24.7 hours per week in 2020. Whether measured at an aggregate or individual level, the impact on global working hours has been approximately four times greater than that of the global financial crisis.

However, most national governments and IOs made significant upwards revisions to their growth estimates towards end of 2020, and many countries observed a quicker than expected rebound in early 2021 as the vaccine rollout began and lockdowns began to ease. This may suggest that initial concerns about economic damage were overstated and that the global economy was well placed to recover quickly as pent up consumer demand was unleashed, international travel became more feasible and online technologies allowed many to work and shop from home. Some mainstream economic commentators have also suggested that the pandemic could tip the balance of power back in favour of workers as new jobs are created and the adoption of more flexible working patterns drives up productivity<sup>3</sup>. The reality is however far more complex than the aggregate figures suggest, and to understand the challenges for workers we need to look closely at the impacts on specific groups.

As the pandemic unfolded during the course of 2020, it became clear that the socio-economic effects were unevenly distributed. For example job losses and temporary layoffs were highly skewed towards

<sup>&</sup>lt;sup>2</sup> https://www.ilo.org/global/topics/coronavirus/impacts-and-responses/WCMS 767028/lang--en/index.htm

<sup>&</sup>lt;sup>3</sup> https://www.economist.com/leaders/2021/04/10/riding-high-in-a-workers-world

those groups in the labour market that were already vulnerable such as women, younger workers, migrants, Black and Asian workers, less educated workers, and those in low paid and highly precarious jobs. These groups were also more likely to lose working hours if they remained in work, and were more likely to be exposed to the virus as a result of working in front-line or essential jobs where remote and home working may not be feasible<sup>4</sup>.

In contrast to previous crises where the informal labour force expanded as workers lost their jobs in the formal labour force, the pandemic appears to have pushed many out of informal work altogether as public safety measures and travel restrictions limited the ability of many to trade and earn a living (Chen et al., forthcoming 2021). It is also not yet clear how the global economic downturn will impact on levels of unemployment and underemployment as inactivity appears to be absorbing a high share of lost working hours (where workers exit the labour market and see no prospect of quickly returning and therefore do not show up in the headline unemployment figures).

There have also been complex impacts across professional and manual groups in the labour market. For example while remote working liberated some from rigid working routines, long commutes and intense supervision, for others the blurring of home and work life and electronic monitoring have led to increased 'technostress'. Women have also been far more likely to experience dual pressures to continue working while providing care and home schooling, which in turn could set back modest gains in terms of gender equality since the 1990s<sup>6</sup>. There are also significant geographical imbalances. Whereas working-hour losses were particularly large in Latin America and the Caribbean, Southern Europe and Southern Asia, in contrast, Eastern Asia and Central, Western and Eastern Africa experienced relatively smaller working-hour losses, reflecting less stringent lockdown measures<sup>7</sup>.

<sup>&</sup>lt;sup>4</sup> https://www.ilr.cornell.edu/worker-institute/blog/reports-and-publications/new-survey-broad-coalition-shows-overlapping-challenges-racial-gender-and-economic-injustice-amid

<sup>&</sup>lt;sup>5</sup> https://www.sciencedirect.com/science/article/pii/S074756322100176X

<sup>6</sup> https://www.unwomen.org/en/digital-library/publications/2020/09/gender-equality-in-the-wake-of-covid-19

https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms\_767028.pdf

Clearly an economic crisis of this magnitude and complexity, layered on top of existing decent work deficits, creates significant challenges for specific workforce groups, sectors, and countries. In turn, the response of national and international organisations has to recognise the scale of the unfolding crisis and the highly uneven impacts on already vulnerable groups. While crises can fundamentally undermine and destabilise existing systems, they can also provide the means and motive for institution building and global collaboration.

# A global state of emergency

As the full severity of the covid-19 pandemic began to reveal itself during spring 2020, senior figures within all key IOs made public statements about the need for significant and coordinated action, and called for global solidarity and a focus on human needs. For example, Guy Ryder, Director General of the ILO, laid out the scale of the challenge for the global economy:

"This is the greatest test for international cooperation in more than 75 years. Workers and businesses are facing catastrophe, in both developed and developing economies. We have to move fast, decisively, and together"

The Managing Director of the IMF Kristalina Georgieva echoed the need for coordinated action and global solidarity:

"The human costs of the Coronavirus pandemic are already immeasurable and all countries need to work together to protect people and limit the economic damage. This is a moment for solidarity" 9

The president of the World Bank David Malpass also emphasised the risk of extreme poverty arising from the pandemic:

<sup>9</sup> https://www.imf.org/en/News/Articles/2020/03/23/pr2098-imf-managing-director-statement-following-a-g20-ministerial-call-on-the-coronavirus-emergency

<sup>&</sup>lt;sup>8</sup> https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS\_740893/lang--en/index.htm

"The health and economic impacts that the COVID-19 pandemic and shut down have inflicted on developing countries are severe. Our estimate is that up to 60 million people will be pushed into extreme poverty – that erases all the progress made in poverty alleviation in the past three years." <sup>10</sup>

The global state of emergency forced national governments to roll out a wide range of policy measures. The first priority was to contain the virus and prevent the wholesale collapse of health systems and economies, but many governments also moved to protect individuals and households against extreme financial hardship and to support stricken businesses forced to stop trading because of lockdowns and travel restrictions. This stands somewhat in contrast with the 2008-09 global financial crisis where a large share of government support went into financial markets in order to maintain liquidity. IOs such as the IMF, OECD and World Bank endorsed the use of 'accommodative' fiscal policies and the IMF significantly expanded the financial support for emergency programmes around the world (worth close to \$90bn), with few of the typical 'strings attached' in the form of fiscal consolidation requirements and public sector austerity policies<sup>11</sup>.

Whether or not this represents a new model of 'state capitalism' (Berry et al., 2020), many governments have clearly adopted a more interventionist approach to protect workers' jobs and incomes in the short-term. For example the UNDP's global policy response tracker recorded nearly 2,500 policies up until the end of 2020 across all geographical regions, and across varied national welfare and labour market regimes<sup>12</sup>. Policies were broadly categorised as social protection (59%), labour market (16%), or fiscal stimulus/business support (25%). But while this gives an indication of the number and distribution of policy measures this does not capture the level, coverage and cost of these policy measures, or their impact on the four pillars of decent work across the emergency, adjustment and recovery phases. Looking across different phases of the covid-19 response we can explore how government policies and the position of IOs has evolved, and identify patterns of convergence and divergence.

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https://www.worldbank.org/en/news/speech/2020/05/19/remarks-by-world-bank-group-president-david-malpass-during-press-call-on-100-countries-milestone-for-covid-19-coronavirus-emergency-health-support
https://www.brookings.edu/blog/future-development/2020/10/13/why-the-imf-needs-to-build-on-its-

covid-19-record-not-backtrack/

<sup>12</sup> https://data.undp.org/gendertracker/

### 1. Emergency responses

As indicated by the UNDP's analysis, the main emergency policy response to covid-19 has been the expansion and strengthening of social protection measures and nearly 93% of countries worldwide were recognised to have adopted specific measures in response to the pandemic by the end of 2020<sup>13</sup>. Social protection is a broad category that includes unemployment benefits, income protection, social insurance, and care provision, and there are clearly some overlaps between social protection and labour market interventions. Nevertheless, one of the main components of the emergency response has been the use of job retention (JR) schemes which are estimated to have supported around 50 million jobs globally during 2020<sup>14</sup>. JR schemes are widely credited with preventing mass unemployment during the initial phase of the crisis, but the scale of demand meant that many governments had to modify existing JR schemes or develop new ones altogether. For example Germany's Kurzarbeit scheme supported some 580,000 workers after the global financial crisis of 2008-09, but across Europe short time working schemes are thought to have supported nearly ten times that during 2020 (Cook and Grimshaw, 2021).

The logic of JR schemes as opposed to simply using unemployment benefits is that they provide the necessary liquidity to firms to hold on to their workers during a period of low demand, and allow them to increase operations quickly once economic activity recovers without having to go through the process of hiring and training new workers. JR schemes also often provide support at a higher level than traditional unemployment benefits, and in many cases lowering minimum earnings thresholds and increasing the duration of support has helped maximise the value to individual citizens and households. JR schemes can take the form of short-time work (STW) schemes that directly subsidise hours not worked, such as used in Germany and France. They can also take the form of wage subsidy schemes that subsidise hours worked but can also be used to top up the earnings of workers on reduced hours as used in the Netherlands and Australia. In some cases subsidies are paid to employees (e.g. Belgium, Finland, and Spain) but mostly the subsidies are paid to employers (who may then top

<sup>&</sup>lt;sup>13</sup> https://www.social-protection.org/gimi/ShowWiki.action?id=3417

<sup>&</sup>lt;sup>14</sup> https://www.oecd.org/coronavirus/policy-responses/job-retention-schemes-during-the-covid-19-lockdown-and-beyond-0853ba1d/

up salaries to an agreed percentage). Unemployment benefits have also been increased and extended in a number of countries. In the UK those in receipt of the main unemployment benefit (Universal Credit) received a temporary uplift of £20 per week (a 15% increase), and a self-employed income support scheme was launched in March 2020 which covered up to 80% of wages (the same level as the furlough scheme for employees).

Another significant component of social protection has been the use of cash transfers paid directly to individuals or households to provide short-term support with living expenses. The World Bank estimates that cash transfers make up around 1/3rd of social protection measures, and have reached over 1.1bn people worldwide<sup>15</sup>. In many cases, the 'conditionality' of work search or training activity usually attached to payments has been suspended, and the extension of coverage to informal workers (esp. women) is closer to the much vaunted Universal Basic Income (UBI) model which provides financial security that is not conditional on labour market participation, and offers potential health and economic benefits for marginalised groups<sup>16</sup>. Many national, regional and local governments have offered various forms of social assistance such as emergency food and health supplies, support with housing costs, and access to finance to alleviate financial pressures<sup>17</sup>.

A second key pillar of the emergency covid-19 response has been the extensive use of social dialogue between government, employers and worker representatives to design and implement economic and labour market policies. For example more than 70% of countries used peak-level social dialogue on emergency measures and around half of those used tripartite social dialogue<sup>18</sup>. The measures developed through social dialogue include guidelines, codes of conduct, declarations, social pacts and agreements designed to support enterprises, jobs and incomes, and to protect workers in the workplace.

 $<sup>^{15}\</sup> https://blogs.worldbank.org/developmenttalk/game-changer-social-protection-six-reflections-covid-19-and-future-cash-transfers$ 

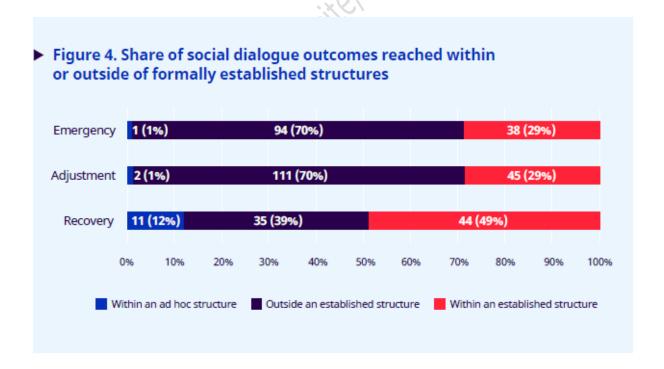
<sup>&</sup>lt;sup>16</sup> https://www.bmj.com/content/372/bmj.n193

<sup>17</sup> https://data.undp.org/gendertracker/

<sup>&</sup>lt;sup>18</sup> https://www.ilo.org/global/about-the-ilo/how-the-ilo-works/departments-and-offices/governance/dialogue/WCMS 802527/lang--en/index.htm

Those countries with dense and coordinated systems of social dialogue already in place (such as Belgium) were better placed to implement multiple measures, whereas other countries sought to build new bi-partite and tri-partite arrangements in order to deal with specific challenges arising from the crisis. Sector level collective agreements were used to agree job retention and sick pay (e.g. Denmark, Norway, and Sweden) and trade unions were closely involved in designing job retention measures (e.g. UK, Netherlands) and income protection schemes (e.g. Argentina, Sri Lanka). Furthermore, agreeing coordinated standards across sectors in Argentina prevented gaps in protection between high and low wage sectors. In some cases, governments sought to strike bilateral arrangements with employers and trade unions over specific provisions (e.g. Costa Rica and Viet Nam) and in a small number of cases such as India the social partners were marginalised from decision making processes altogether (Ghosh, 2020).

Looking across countries, only a small percentage of measures developed through social dialogue were agreed within existing systems <sup>19</sup>.



<sup>&</sup>lt;sup>19</sup> https://www.ilo.org/global/about-the-ilo/how-the-ilo-works/departments-and-offices/governance/dialogue/WCMS\_802527/lang--en/index.htm

This suggests that the underlying institutions of social dialogue were not prepared for such an emergency situation, but at the same time the data underline the flexibility and adaptiveness of social dialogue in exceptional circumstances. In some cases the crisis has encouraged governments to engage with and draw more deeply on the expert knowledge of both employers and trade unions when designing JR schemes and workplace health and safety protocols (for example the peak level Trade Union Congress was instrumental in developing the UK's furlough scheme). Bottom up pressure from workers and trade unions has also forced governments to act. For example protests in Colombia led to a collectively agreed "biosecurity protocol" in banana plantations, and delivery workers across Latin America have gone on strike and taken part in large scale protests over pay and working conditions but have only achieved sporadic concessions so far<sup>20</sup>. There are some localised examples of social dialogue that seek to protect informal workers. In some cases this involved encouraging informal traders to register with the authorities in order to qualify for government assistance in other cases trade unions and NGOs worked with state actors to provide advice and guidance to informal workers about sources of support and in-kind social welfare, and to agree packages of emergency support, provisions and PPE for domestic workers<sup>21</sup>.

# 2. The adjustment phase

Despite the significant emergency expansion of social protection schemes, the level and value of social protection has not necessarily increased in line with coverage, and in many cases such increases were from a very low base (e.g. Ghosh, 2020). JR schemes have been rolled over in many cases as the second and third waves have hit but they are beginning to wind down and many are expected to end completely by the end of 2021. This is likely to be a gradual process whereby employer contributions to wages increase at fixed points, but there may be a tipping point for some businesses where the revenues from trading do not fully compensate for the lost fiscal support from government, and redundancies may start to increase again.

<sup>&</sup>lt;sup>20</sup> https://time.com/5953683/delivery-drivers-latin-america-migrants/

<sup>&</sup>lt;sup>21</sup> https://www.ilo.org/global/about-the-ilo/how-the-ilo-works/departments-and-offices/governance/dialogue/WCMS 802527/lang--en/index.htm

Social protection can have a significant effect on the financial security of women but the UNDP estimates suggest that only 13% of policies adopted have an explicit or direct impact on women (aside from violence reduction measures). Gender sensitive measures are mostly cash transfers and in-kind support for heads of households, particularly those with young children. JR and short-working time schemes often do not recognise underlying gender imbalances in working hours and wages, although modifications to JR schemes and unemployment benefits to provide additional support for low earners and non-standard workers can increase the protection for women workers (Cook and Grimshaw, 2021). A greater recognition of unpaid care duties within the household, and extending and subsidising formal childcare would also support key workers and those unable to work from home as the economy begins to reopen (who are more likely to be low paid and female). Making working patterns more flexible with improved wage subsidies for low wage part-time jobs would also open up opportunities for the reconciliation of home and work-life, particularly as teleworking arrangements are not accessible to all<sup>22</sup>.

A number of countries have adopted new legal protections for the essential workers that were heavily relied on during lockdowns but that lacked many of the basic rights to sick pay, holiday pay and occupational health and safety (OHS) protections. Some key workers in front-line health and social care roles did not earn enough to qualify for occupational sick pay (and therefore could not afford to self-isolate), but in some cases the lack of basic protections arises because of the deliberate misclassification (by platforms) of workers as self-employed contractors (see the UK High Court's ruling against Uber in late 2020). New collective agreements regulating pay and working time in the gig economy have also been adopted. In Italy a collective agreement was signed in September 2020 between Assodelivery (representing food delivery platforms) and the Unione Generale del Lavoro which sets a minimum hourly salary (covering actual delivery times) along with enhancements for night shifts, national holidays and bad weather. Social dialogue is also increasingly important to

<sup>&</sup>lt;sup>22</sup> file://nask.man.ac.uk/home\$/Downloads/wpiea2020088-print-pdf.pdf

support the reopening of businesses as lockdown measures begin to ease through enhanced occupational health and safety measures<sup>23</sup>.

# 3. The recovery phase

As was the case in the first few weeks and months of the pandemic, in the early part of 2021 a number of senior figures across IOs started to set out their position on the recovery phase and the measures needed to secure a sustainable and equitable recovery. For Guy Ryder the recovery represented an opportunity to chart a new course for the global economy rooted in notions of peace and social justice:

"There may be parallels and comparisons with 1919 when the "wild dream" of the ILO was launched, or 1944 when the Declaration of Philadelphia pointed the way out of global conflict to shared prosperity and social justice, or even just two years ago when we last met to chart the course to the future of work that we all want."24

Similarly for the UN secretary general the emphasis was on protecting the most vulnerable as a means to safeguard the safety and prosperity of all:

"I encourage all Member States to seize this opportunity to build a better, more equitable, more sustainable and more resilient world not only for the Least Developed Countries but for all."25

For the Managing Director of the IMF the focus was more on charting a course out of the crisis and quickly rebuilding human capital:

"We must keep our focus on escaping the crisis. While the outlook has improved overall, prospects are diverging dangerously not only within nations but also across countries and regions. Return to growth would also mean policy transition, and the need to deal with the long-term scars of this

<sup>&</sup>lt;sup>23</sup> https://www.ilo.org/global/standards/WCMS\_780445/lang--en/index.htm

<sup>&</sup>lt;sup>24</sup> https://www.ilo.org/global/about-the-ilo/how-the-ilo-works/ilo-director-general/statements-andspeeches/WCMS\_799750/lang--en/index.htm <sup>25</sup> https://www.un.org/sg/en/node/257935

crisis—among them is the impact on human capital, especially on the young, the low-skilled, women, and informal workers". <sup>26</sup>

Thus while the emergency response to covid-19 brought about a remarkable consensus between IOs, the recovery phase is producing some subtle differences in both the overarching narrative around 'building back better, and the specific policy recommendations for job creation and protecting living standards. By situating the emergency and adjustment policy responses against the broader recovery narratives we can assess the prospects for a job rich recovery and a wages-led recovery. As JR schemes begin to wind down the focus is turning to getting people back to work and earning a decent wage. Many IOs argue that social protection should be increasingly targeted at specific groups and industries that have suffered most during the crisis, but that have the potential to recover quickly and support economic growth and upgrading over the coming years. While social protection was clearly essential to protect incomes during the emergency and adjustment phases, as economies begin to move the recovery phase the OECD has expressed concerns about the weak incentives to return to work generous universal social protection:

"The coverage and adequacy of income support will need to be reviewed as the crisis evolves. If weak labour market conditions persist, there can be good reasons for extending unemployment benefit durations to prevent jobseekers from sliding too quickly into much less generous minimum-income benefits. The duration, targeting and generosity of emergency income support programmes put in place in the early months of the crisis should be re-assessed to ensure that support goes to the most needy. "Mutual obligations" requirements, which commit jobless benefit recipients to active efforts to find employment, should be progressively re-established where they have been temporarily suspended" 27

Perhaps reflecting these concerns, activation programmes within some countries are beginning to scale up and the suspension of welfare conditionality for cash transfers and other forms of social

<sup>27</sup> https://www.oecd-ilibrary.org/sites/1686c758-en/index.html?itemId=/content/publication/1686c758-en& ga=2.1180338.2069578169.1625003324-563321267.1615820093

<sup>&</sup>lt;sup>26</sup> https://www.imf.org/en/News/Articles/2021/03/25/sp033021-SMs2021-Curtain-Raiser

assistance is gradually being withdrawn (McGann et al., 2020). There is also a risk that the various ad hoc tripartite social dialogue structures and agreements that were established in many countries to coordinate the response to covid-19 will not be sustained, and as businesses resume normal operations they may revert back to less substantive forms of consultation. The significant expansion of social dialogue at the height of the crisis also has to be set against a context of long-term declining trade union membership and collective bargaining coverage, and the limited coverage of either collectively agreed or statutory protections in the informal economy. The challenge here is not only to sustain peak level tripartite arrangements as governments move into a recovery phase, but to rebuild collective bargaining as a means of coordinating standards across sectors and regions, and promoting regular discussions between social partners about economic and labour market transformations.

While the ILO has long made a persuasive case for collective bargaining as a an institution of economic and social justice, the OECD has also begun to advocate for coordinated collective bargaining as an instrument of economic efficiency that promotes stability, improves job quality and narrows inequalities<sup>28</sup>. The support of IOs such as the OECD for collective bargaining is perhaps a belated recognition that the pursuit of labour market flexibility has created a number of structural problems in global labour markets that have been laid bare by the crisis. At the same time, the OECD's endorsement of collective bargaining comes with a number of caveats around preserving firm level flexibility through 'organised decentralisation' rather than the centralised peak level arrangements typically supported by the ILO.

### A job rich recovery – balancing rights and responsibilities?

Getting people back to work hinges on a mixture of supply and demand side interventions such as increased safety measures, skills training, access to technology, and creating incentives for employers to hire. For example, SMEs may require financial support for enhanced safety measures and to make up the lost earnings resulting from ongoing social distancing measures that lower operating capacities

<sup>&</sup>lt;sup>28</sup> https://www.oecd.org/employment/revamp-collective-bargaining-to-prevent-rising-labour-market-inequalities-in-rapidly-changing-world-of-work.htm

and volumes. The IMF and World Bank have also emphasised the need for small businesses and sole traders to have affordable technology and reliable connectivity to support online trading.

Prior to the crisis, full employment increasingly formed a core element of the ILO's long term labour market narrative, but full-employment does not appear to be an explicit goal for many governments in the immediate recovery phase, particularly where inactivity is high and lockdown measures have not fully been lifted. For IOs such as the World Bank the emphasis is be on policies to support those firms most capable of maintaining productive jobs (World Bank, 2020). While the state has directly supported and subsidised a huge number of jobs since the start of the crisis, and will stimulate jobs through programmes of public investment, infrastructure and projects over the coming years, the private sector is still seen as the main engine of job creation over the long-term, as set out in the ILO's centenary declaration: "The private sector [is] a principal source of economic growth and job creation.... [and] has a critical role in realizing the human-centred agenda to the full'".

For example the US created some 900,000 jobs in March 2021 alone, but this says little about the quality of these jobs, or how many are stable and long-term jobs. Policy makers should be wary about the headline figure of job creation as the surfeit of precarious jobs created in the wake of the 2008-09 GFC that underpinned the so-called jobs miracle contributed to falling living standards towards the end of the decade. Between 2013 and 2019 in the UK, 19.3 million private sector jobs were created and 16.6 million were lost which means that seven new private sector jobs were needed to create one viable job<sup>30</sup>. There appears to be a growing recognition among IOs that there is often unfavourable balance between the quantity and quality of jobs, and the mantra that any job is better than no job has to be challenged as poor quality jobs 'waste productive potential'<sup>31</sup>. Research evidence supports this thesis as there are a range of negative economic and health outcomes arising from low paid, insecure and unstable work<sup>32</sup>. At the same time, how to improve the quality of jobs and reduce the

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<sup>&</sup>lt;sup>29</sup> https://www.ilo.org/wcmsp5/groups/public/---ed\_norm/---relconf/documents/meetingdocument/wcms\_711288.pdf

https://www.centreforcities.org/press/full-scale-of-britains-job-crisis-uncovered-in-new-centre-for-cities-research/

<sup>&</sup>lt;sup>31</sup> https://www.imf.org/external/pubs/ft/fandd/2020/12/rethinking-the-world-of-work-dewan.htm

<sup>&</sup>lt;sup>32</sup> https://blogs.lse.ac.uk/politicsandpolicy/is-any-job-really-better-than-no-job-at-all/

precariousness faced by many workers, and particularly those in informal work, is something of an unresolved issue. The OECD has expressed concerns about the strictness of employment protection legislation and the negative impact on job creation and growth:

"When job protection is too high, however, efficient job allocation and innovation are likely to suffer. Hence, overly strict dismissal regulation tends to reduce productivity growth and increase the duration of unemployment spells...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<sup>33</sup>."

What actually constitutes a decent job in the post-covid landscape is a matter of significant debate and discursive framing. Whereas employers and governments may frame decent work as being decent and productive (from the perspective of economic growth) trade unions and workers may frame it as being decent and dignified (from the perspective of worker rights and social justice). However a subtle shift in the debate over recent years, which has intensified since the start of the pandemic, has been to focus on 'sustainable' work. As is the case with decent work, this allows for a range of possible interpretations, with some actors and IOs focusing on economic sustainability and others focusing on environmental sustainability.

In terms of economic sustainability, a large share of emergency fiscal support during the pandemic was to prevent private enterprises going under, and the swift easing of lockdown measures is seen as critical to allow many (particularly smaller) businesses to begin trading and re-hiring staff. At the same time, some businesses will struggle to reopen fully given the potential for further localised lockdowns and restrictions on capacity and the withdrawal of other forms of financial support and rent and rates 'holidays'. There are also longer term questions about the viability of some sectors such as

<sup>&</sup>lt;sup>33 33</sup> https://www.oecd-ilibrary.org/sites/1686c758-en/index.html?itemId=/content/publication/1686c758-en& ga=2.1180338.2069578169.1625003324-563321267.1615820093

city centre retail and hospitality given the significant changes in consumer behaviour and travel patterns that emerged during the pandemic<sup>34</sup>.

There are warnings from IOs that wage subsidies need to be time-limited, and carefully targeted at viable and sustainable businesses in order to avoid propping up 'zombie' firms as happened after the 2008-09 GFC<sup>35</sup>. This process of 'creative destruction' means allowing some firms to go under in order to increase aggregate efficiency and productivity, although there are clearly significant financial and social costs arising from firm closures and redundancy. This also does not take into account the various forms of state subsidies such as working tax credits (UK) or earned income tax credits (US) that compensate for the low wages paid by some of the world's biggest corporations such as Amazon, McDonald's and Walmart<sup>36</sup>. It also cannot be taken for granted that those businesses (such as Amazon) that have done exceptionally well during the pandemic are the ones that should form part of the long-term recovery. Covid-19 has seen the wealth and market power of already dominant 'superstar' firms increase sharply and the value of many platform businesses has increased sharply (despite often having few assets or staff and continuing to operate at a loss<sup>37</sup>). Covid-19 has also highlighted significant concerns about disruptions to global supply chains for critical supplies (e.g. food and PPE) but there has been less discussion about the risks for workers and labour standards arising from fragmented and cost-competitive systems of sub-contracting (Selwyn and Leyden, 2021). The policy recommendations of the OECD are for better transparency and risk management, and GVCS are still seen as important for consumers and to support economic growth in emerging economies (although the OECD also points to long term trends towards shorter and less fragmented GVCs prior to covid<sup>38</sup>).

https://www.forbes.com/sites/alliancembs/2020/12/22/the-pandemic-presents-a-once-in-a-generation-opportunity-to-reshape-the-future-of-work-in-our-cities/?sh=310e9cc27870

<sup>&</sup>lt;sup>35</sup> https://openknowledge.worldbank.org/handle/10986/34263

<sup>&</sup>lt;sup>36</sup> https://www.bloomberg.com/opinion/articles/2021-03-18/who-helps-pay-amazon-walmart-and-mcdonald-s-workers-you-do

<sup>&</sup>lt;sup>37</sup> https://www.ilo.org/global/research/global-reports/weso/2021/WCMS\_771749/lang--en/index.htm

<sup>&</sup>lt;sup>38</sup> https://www.oecd.org/coronavirus/policy-responses/covid-19-and-global-value-chains-policy-options-to-build-more-resilient-production-networks-04934ef4/

A major short-term challenge is to reallocate labour between sectors in order to support those areas deemed to be viable and likely to grow sufficiently to absorb those displaced by the crisis. Short-term subsidies may be offered to businesses to hire workers from vulnerable groups or those that have been out of the labour market for a long-period (e.g. Portugal and the UK), but in order to prevent long-term scarring governments will need to make significant investments in retraining and reskilling to support labour reallocation between sectors and firms<sup>39</sup>. This will require the reversal of long-term trends of underinvestment in lifelong learning and vocational training, and limited employer investment in skills and career development. The reliance on activation programmes to facilitate transitions back into the labour market is also likely to increase the supply of labour for low wage jobs.

However, there has been little mention by any of the IOs apart from the ILO<sup>40</sup> of investing in improving essential jobs in foundational economy such as social care, retail, transport, and utilities. Many of the everyday activities within the foundational economy are by their nature localised, stable, and sustainable and could form a key part of local transitions to a low carbon economy, which in turn will be an important source of skilled jobs for young people in the future. An ageing population means that social care is one of the few areas that is likely to be shielded from large scale job losses due to automation, but prioritising historically low GVA sectors will require policymakers to move away from long-held assumptions about economic growth through agglomeration, and the assumed causal link between productivity and wages<sup>41</sup>.

Beyond these specific patterns of change during the pandemic, covid-19 has in many ways accelerated long term transformations of global labour markets driven by climate change and digitalisation. Although the climate crisis is seen as an existential global threat, many IOs and national governments are recognising the opportunities arising from decarbonisation and transitions to a green economy. For example, it is estimated that worldwide there are somewhere close to 12 million jobs in green energy

<sup>39</sup> https://www.oecd.org/economic-outlook/march-2021/

<sup>40</sup> https://www.ilo.org/global/topics/care-economy/lang--en/index.htm

<sup>&</sup>lt;sup>41</sup> https://www.alliancembs.manchester.ac.uk/original-thinking-applied/original-thinkers/rebuilding-the-foundations---decent-work-after-covid-19/

and that this figure will grow to 24 million by 2030, along with 6.5 million jobs in sustainable construction, and 6 million jobs in recycling and repair<sup>42</sup>. But beyond simple job creation, jobs in the green economy include many of the skilled roles such as engineers that have been lost in the declining fossil fuels sector over the last 25 years, alongside new good jobs of the future such as specialist technical wind and solar roles. These jobs are also more likely to be unionised and offer greater opportunities for marginalised groups such as women, younger workers and Black and Asian workers than traditional male dominated extractive industries.

Digitalisation is the second major driver of transformation. The World Bank and the OECD both see platforms as offering crucial opportunities to workers and business to reinvent themselves during the pandemic, as well as creating opportunities for flexible and remote working regardless of location (subject to the limits of technology and connectivity). At the same time, both also recognise a number of risks associated with platforms as many gig workers lost their jobs or working hours during the height of the crisis, and many do not benefit from employment protection legislation short-time work schemes, unemployment benefits, paid sick leave or health insurance. The ILO also identifies significant gaps in wages between platform workers in developed and developing countries<sup>43</sup>.

### A wages led recovery

Wages are a core component of both the ILO's decent work agenda and the UN's 2030 agenda for sustainable development. SDG 10 makes reference to the efforts to reduce inequality within and among countries through "fiscal, wage and social protection policies" but wages are also referenced in a number of SDGs (e.g. 1, 5 and 8). The expansion of social protection during the pandemic has been a critical lifeline for many, but a decent earned income is essential to prevent a rise in extreme poverty during the recovery phase.

The challenge here is that wages tend to come under significant pressure during recessions and periods of high unemployment. Cuts to wages, terms and conditions may be presented as a way to prevent or delay further job losses but employers may also take advantage of slack labour market

<sup>42</sup> https://www.ilo.org/global/topics/green-jobs/lang--en/index.htm

<sup>43</sup> https://www.ilo.org/global/research/global-reports/weso/2021/WCMS\_771749/lang--en/index.htm

conditions to hold down wage growth and intensify work (Johnson and Watt, 2021). Some emergency economic policies agreed during the pandemic also contained explicit trade-offs on wages. For example, in Argentina, where the Government enforced a generalized prohibition on dismissing workers without just cause, a collective agreement also included a 25 per cent cut in the wages of workers in shut-down sectors for 60 days from 1 April 2020, with a view to saving jobs.

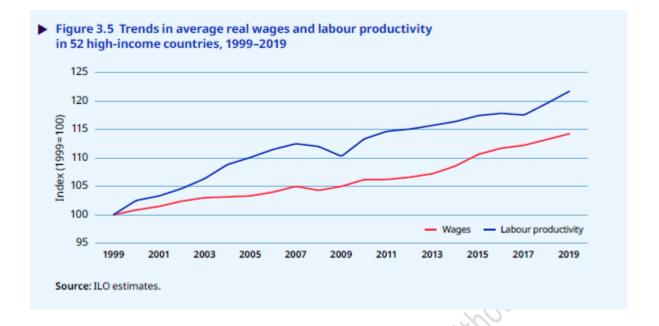
Looking at the global picture during 2020, there was downward pressure on average wages in 2/3<sup>rds</sup> of countries with particularly adverse effects on women (including Japan, Korea, and UK). The remaining 1/3<sup>rd</sup> of countries (including Brazil, Canada, France, US) saw aggregate increases as predominantly low wage jobs were lost across the economy (known as a composition effect). The skewed impact on low wage workers is already contributing to rising poverty levels with more than 730 million workers falling below the \$1.90 threshold in 2020, which is forecasted to increase to around 750 million by the end of 2021. These figures represent a significant departure from the long term downward trends in the numbers and proportion of people living in extreme poverty, and could derail the ambition to reduce the global proportion to 3% by 2030<sup>44</sup>. There are also concerns that climate change, layered on top of the pandemic could worsen extreme poverty in rural areas that depend on agriculture, while also drawing more informal and low paid workers into the ranks of the rapidly swelling chronic urban poor<sup>45</sup>.

A major threat to a wage led recovery is the widening gap between labour productivity and wages in evidence prior to the crisis<sup>46</sup>. The focus on creating productive jobs and increasing workers' skills is unlikely to result in increased individual earnings or improved standards of living if employers do not share the benefits of economic growth and upgrading with workers.

<sup>44</sup> https://openknowledge.worldbank.org/handle/10986/34496

<sup>&</sup>lt;sup>45</sup> https://blogs.worldbank.org/opendata/updated-estimates-impact-covid-19-global-poverty-looking-back-2020-and-outlook-2021

<sup>46</sup> https://www.ilo.org/infostories/Campaigns/Wages/globalwagereport#trends/wages-productivity

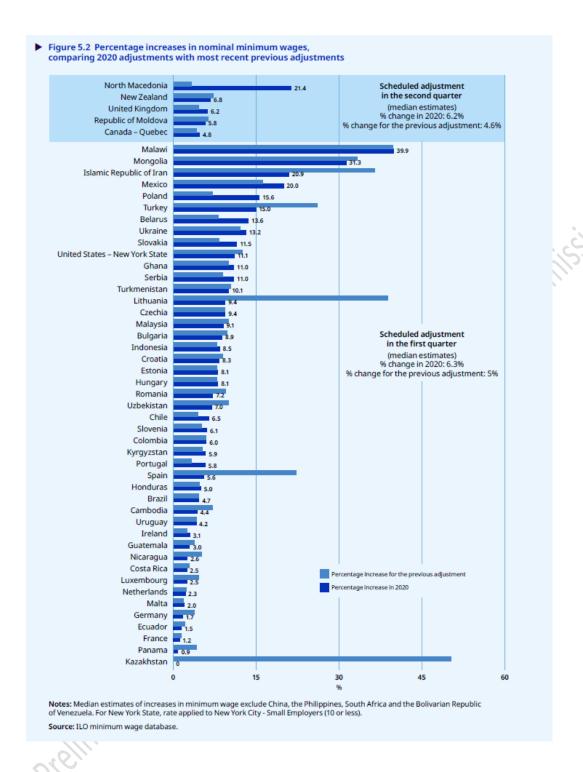


This is also reflected in the long term trends of falling real wages at the median and a declining labour income share <sup>47</sup>. These estimates also do not take into account patterns of wage inequality which were deteriorating prior to the crisis (e.g. 90/10 inequality, gender inequality, and wealth concentration). Measures to boost wages in the bottom half of the wage distribution are likely to have a significant positive effect on the living standards of low earners while also narrowing wage inequality.

# Focusing on low earners: A minimum wage recovery

Minimum wages are a crucial policy tool to reduce inequality and shore up earnings of lowest paid, that also provide a mechanism for the social partners to discuss economic and labour market issues. The Director General of the UN and the ILO have both positioned adequate minimum wages at the heart of the economic recovery from covid-19 in order to build back better. In contrast with the 2008-09 GFC where minimum wages came under significant pressure, most countries that adjust MW rates regularly increased rates in 2020, but fewer than 15% that adjust irregularly did so<sup>48</sup>. There was also a wide range in the level of uplift of statutory minimum wages ranging from nearly 40% in Malawi to 2% in Germany.

https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS\_712234/lang--en/index.htm
https://www.ilo.org/infostories/Campaigns/Wages/globalwagereport#adequate/adjustments-2020



However these headline figures mask some significant complexities. For example the high percentage increase in Malawi was from a very low base and only covers those in formal employment (around 10% of all workers), conversely the modest increase in Germany was subject to extensive tripartite negotiations but was eventually accepted by all sides as part of a four stage increase to reach €10.45 by June 2022. In the UK the headline increase in 2020 was 6% but came with a number of trade-offs: while on the one hand the full adult rate was extended from workers aged 25 and over to workers aged

23 and over; the 6% increase was lower than in previous years and in addition the target to reach 60% of median earnings has been moved back to 2024. The low increase was justified on the grounds of preventing further shock to employment during an economic crisis but this underestimated rising inflation during the second quarter of 2021 which risked weakening the living standards of low earners. There is also a growing role for state, provincial and local minimum wage agreements in protecting low earners. For example, New York state implemented an 11% uplift in 2020 and Quebec province agreed an 5% increase. In the UK, the Greater Manchester city region has moved forward with plans to become a living wage city region as part of a long term strategy for inclusive growth<sup>49</sup>. But despite the positive evidence of minimum wage increases during the crisis, the adequacy of minimum wages measured against median earnings varies across countries. For example in developed countries the bite of the minimum wage is typically between 50% and 65% whereas in developing countries the range is far wider; from a low of 16% in Bangladesh up to a high of 147% in Honduras<sup>50</sup>. In addition, for minimum wages to be effective, they need to be accompanied by measures to encourage formalisation such as targeted labour inspections, awareness-raising campaigns, as well as efforts to raise productivity.

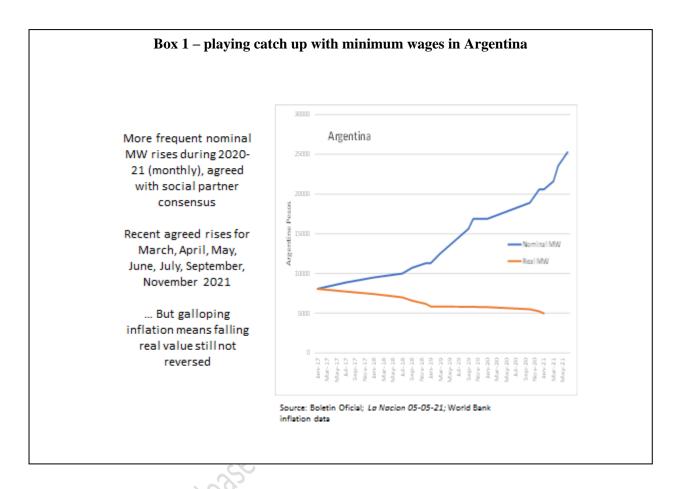
While minimum wages are clearly important there are complex interactions between statutory minimum wage protections and systems of tripartite social dialogue which have come under pressure in recent years. For example in Cambodia, there was a small MW increase rise in 2020 but then near freeze in 2021 amidst polarised views of employers and unions. This means that the real value of the minimum wage is falling for the first time since 2013, and there is a risk of returning to more conflictual situation of 2010-14. The 2021 level is also still not adequate to protect low earners, which is compounded by the problem of long undocumented working hours and the difficulties in ensuring piece-rate work compliance (Grimshaw and Munoz de Bustillo, 2021). In Spain, the government initially imposed a freeze but then signalled its intention to resume pre-Covid rises towards the target of 60% of average earnings (all employees) by 2023. A new tripartite expert committee has

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 $<sup>^{49}\</sup> https://www.greatermanchester-ca.gov.uk/news/andy-burnham-launches-new-ambition-for-all-jobs-ingreater-manchester-to-pay-a-real-living-wage/$ 

https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms 762534.pdf

recommended significant increases, but employers have withdrawn saying it conflicts with existing social dialogue processes. The ability of minimum wages in isolation to protect real incomes is also heavily influenced by the macro-economic context (Box 1).



### Conclusion

Economic crises typically trigger policy measures designed to strengthen competition and labour market flexibility, often compounded by fiscal constraint and public sector austerity. But a different crisis requires different responses (e.g. Cook and Grimshaw, 2021) and the scale and depth of the covid-19 crisis triggered an effective state of emergency in many countries. Senior figures in all IOs were unequivocal about the need for an expansive state response and extensive international coordination and solidarity to deal with the scale and severity of health, social and economic effects. In turn the pandemic resulted in a far more interventionist approach of national governments in the economy and labour market with a raft of emergency policies announced shortly after lockdown measures were imposed, spanning social protection, labour market protections, and business support.

As emphasised by the ILO, two of the four pillars of decent work, social protection and social dialogue, were central to the emergency and adjustment response, and even more orthodox IOs such as the OECD, IMF and World Bank indicated clear support for accommodative fiscal policies, and more expansive systems of social protection. However, the crisis also underlined major inadequacies in both these areas. Job retention schemes had to be significantly scaled up or created from scratch, often relying on the expert knowledge of employers and trade unions. Unemployment benefits and cash transfers were expanded to a wider range of individuals and families, and in many cases the value of payments was increased. Many of these measures were agreed through peak level processes of social dialogue, but often outside of existing systems and structures. One the one hand this underlines how ill-prepared many structures of negotiation and consultation were for a crisis or disaster scenario, but on the other hand this also demonstrates how social dialogue can adapt and respond to specific challenging circumstances.

Once the initial emergency response gave way to the adjustment phase, more notable gaps started to emerge between the response of individual countries, and between different IOs. For example there are different positions between IOs such as the ILO and UNIDO on one hand, and the OECD, IMF, and World Bank on the other about how long JR schemes should last, which businesses should be supported to reopen and grow, and what policies are needed to help workers back to their existing jobs to find new jobs altogether. The OECD also raised concerns about 'untargeted' welfare weakening the incentives to work, and 'overly strict' employment protection discouraging employers from expanding and hiring.

A mixed pattern can also be seen in the policy recommendations for the recovery phase. Most IOs recognise the importance of the private sector for driving job creation, but even more orthodox IOs have sought to challenge the consensus view that this should come at the expense of job quality which is a potential drag on future economic growth. Similarly while platforms are seen as a source of flexible job opportunities (underpinned by cheap access to technology), concerns have also been expressed about the insecurity of gig work. All IOs stress the importance of decent wages in order to improve living standards and boost economic growth, and recognise the potential for the pandemic to

exert downward pressure on wages. But whereas the ILO highlights issues of embedded inequalities and power asymmetries in the labour market, the IMF and World Bank continue to focus on the assumed causal relationship between productivity and wage growth (despite evidence that shows a weakening link over recent years). Similarly, the OECD has moved much closer towards the ILO in respect of supporting collective bargaining as a means to coordinate standards and promote stable long-term growth (although with significant firm and plant level flexibility to allow for adaptation to changing market conditions).

Rather than focusing on the points of divergence between national governments and between different IO, the focus should be on the remarkable points of consensus in economic, labour market and social policy responses since the onset of the pandemic. Despite the devastating human impact of covid-19, there is an opportunity to move beyond debates about the balance between job quantity and job quality, or the appropriate incentives to move people into the labour market. Two of the four decent work pillars (social protection and social dialogue) have been fundamental to the emergency covid-19 response, and there are some signs that job creation and rights at work are increasingly on the agenda of national governments and IOs. One clear lesson from this crisis is that decent work should be framed not just as an economic objective, but a human centred policy agenda that is essential for global peace and resilience. As the Director General of the ILO noted in his opening remarks at the 109th Session of the International Labour Conference:

"The pandemic has highlighted just how inextricably health, social and economic, financial, trade, and intellectual property policy really is. That has always been the case – we are just paying more attention to it now because of the dire circumstances of the moment – and we need to lever that realization to forge better system coherence on a permanent basis, just as the Centenary Declaration urged us to do". 51

<sup>&</sup>lt;sup>51</sup> https://www.ilo.org/global/about-the-ilo/how-the-ilo-works/ilo-director-general/statements-and-speeches/WCMS 799750/lang--en/index.htm

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