

Policy responses to COVID-19: no worker should be left behind

Category: COVID-19

written by oecdecoscope | June 19, 2020

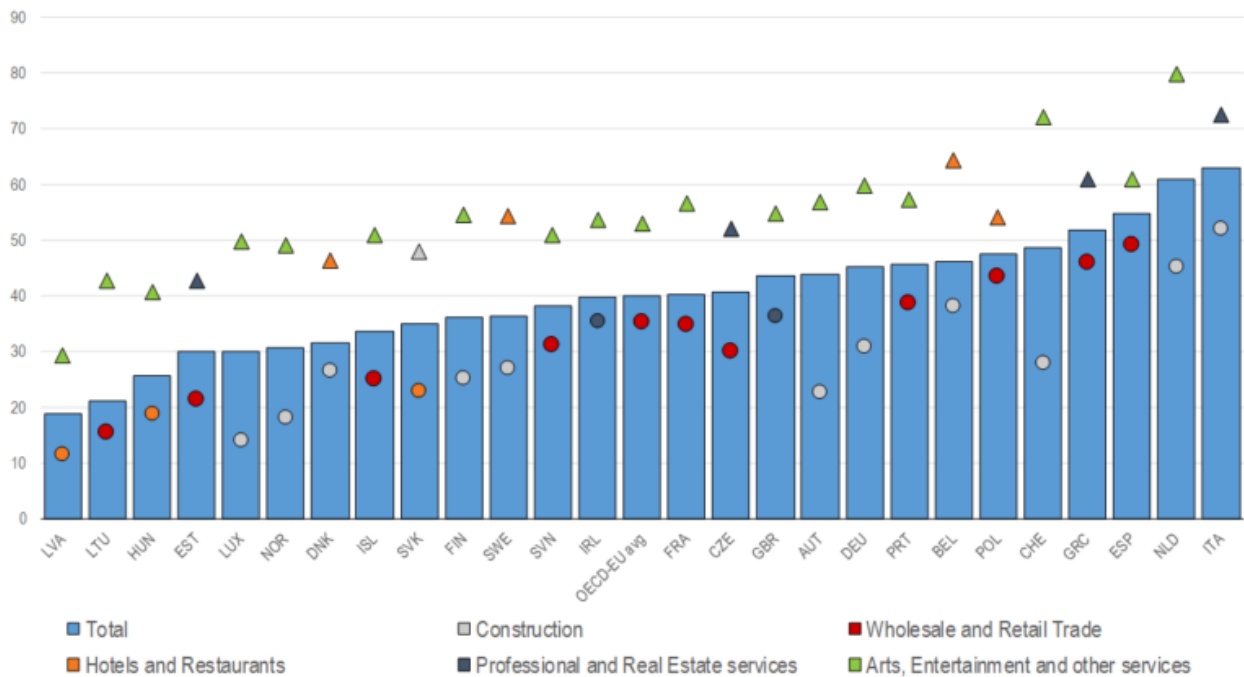
By Maria Chiara Cavalleri and Orsetta Causa

While the magnitude of the COVID-19 crisis unfolds, millions of people and workers worldwide wonder what the future holds for them. In response to the pandemic, OECD governments implemented unprecedented measures to stop the spread of the virus. Facing the risk of a severe recession, many governments implemented extensive policy packages to help workers and firms weather the COVID-19 storm. Some workers have been more affected than others because of the nature of their work. Those working in the tourism industry and in service sectors involving personal contact, such as hospitality, sports and entertainment, have been suffering the most from the shutdown and the widespread restrictions in mobility. These are sectors where activity is likely to remain affected for quite some time even as economies slowly recovery.

New OECD work shows that some groups of workers face a higher risk of being left behind and experience poverty associated with COVID-19 labour market disruptions. The self-employed, those hired on fixed-term contracts and part-time workers – generally referred to as non-standard workers – account for a sizeable share of total employment in the sectors most affected by containment measures. On average across European OECD countries, they represent around 40% of total employment in hard-hit sectors, reaching more than 50% in Italy, the Netherlands, Spain and Greece (Figure 1).

Figure 1: Non-standard workers in activities most affected by the shutdown across European OECD countries

% of employment in respective sectors, 2018



Note: Non-standard workers are defined as workers in temporary contracts, in part-time jobs, and the self-employed. The blue bars show the average share of non-standard workers to total employment across the affected sectors. The triangles (circles) show the maximum (minimum) share among the sectors considered. The inner colour follows the legend and it allows to detect which sectors have the highest/lowest share of non-standard workers. See Figure 2.20 of OECD (2020a) for more details.

Policy challenges

Non-standard workers are particularly vulnerable to the COVID-19 crisis because they tend to have weakest access to social safety nets. For instance, in many countries the self-employed have limited, if any, social protection against income loss due to sickness or a halt in activity. Also, employees under temporary contracts may de facto be excluded from job retention schemes as the incentives for firms to include such workers in short-time work schemes are weak because participation costs can be higher than hiring and firing costs.

Tight access conditions to social protection and low benefit replacement rates weigh relatively more on living standards at the bottom of the wage distribution. Non-standard workers in

low-paid jobs represent on average around 12% of dependent employment in affected sectors. These workers may work only occasionally or irregularly, sometimes failing to meet the income thresholds required to access unemployment benefits. Finally, involuntary part-time workers – of which the vast majority are women – may be relatively more at risk of economic hardship in the event of job loss.

Policy responses: immediate action and the way forward

Policy responses to the labour market crisis should be inclusive by ensuring that vulnerable workers are not left behind. In the initial phase of the crisis, the main challenge was to address social protection gaps between standard and non-standard workers. OECD countries have generally been responsive to that policy challenge:

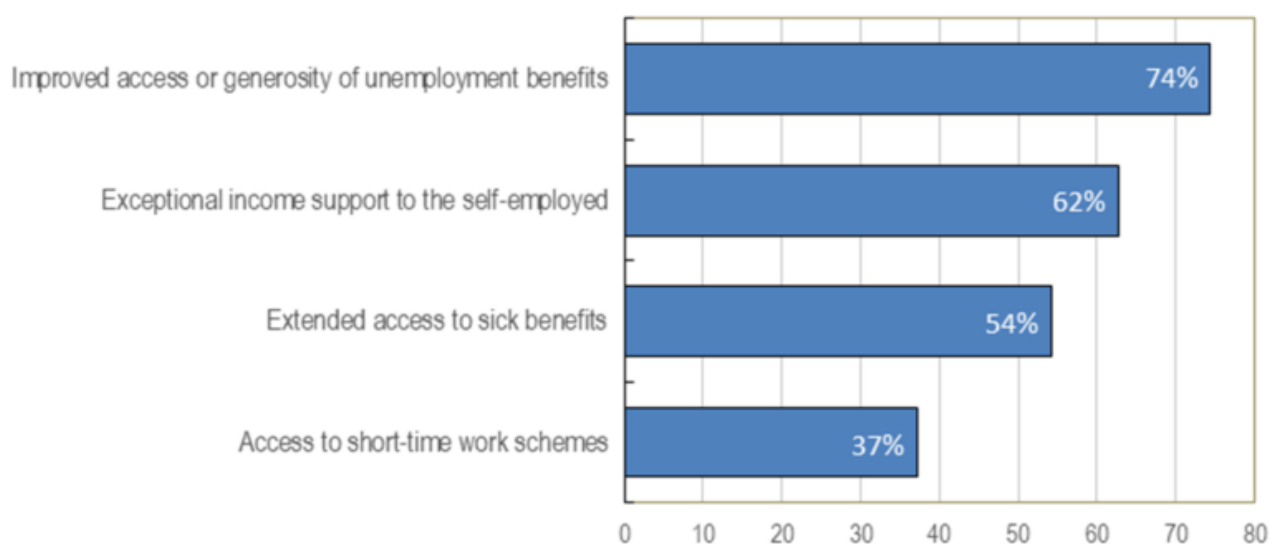
- About half of OECD countries have exceptionally expanded or eased access to paid sick leave for non-standard workers.
- Access to unemployment benefits has been enhanced in a majority of OECD countries.
- Some countries have included temporary employees in short-time work schemes.
- Several countries have introduced temporary income replacement schemes to support the self-employed experiencing severe income losses.

Looking forward, the policy challenge is to prevent crisis-related adverse distributional effects from becoming long lasting, for instance avoiding that temporary job losses from COVID-19 translate into long-term unemployment with associated scarring effects. Durable changes in the structure of economic activities may require workers to relocate from declining to expanding sectors and new jobs. The reallocation and matching between workers and jobs should be smooth and inclusive, that

is, minimising labour market segmentation and inequality. This requires effective active labour market policies and requalification schemes, on top of adequate income support to help job search, for all workers. This crisis is also an eye-opener on the need to provide workers with equal opportunities to access social protection: countries should consider reforming regular social protection schemes to become more accessible to non-standard workers. Reforms in this area would reduce labour market segmentation and inequalities, and accompany the transition towards new forms of employment.

Figure 2: Policy responses to the COVID-19 crisis across OECD countries

Percentage share of the total number of OECD countries



Source: elaboration from Table 2.4 in OECD (2020a).

References

OECD (2020a), *OECD Economic Outlook, Volume 2020, Issue 1, Issue Note 4: Distributional risks associated with non-standard work: Stylised facts and policy considerations*, OECD Publishing, Paris, <https://doi.org/10.1787/0d1d1e2e-en>