

Building back better: enhancing equal access to opportunities for all

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As some G20 countries are gradually re-opening their economies after a period of strict confinement measures, governments have the opportunity to build back better and make growth more **inclusive**. The COVID-19 crisis is generating new sources of inequality but also exacerbating the inequalities that existed before the crisis. Already disadvantaged groups, low-paid workers, those in non-standard forms of employment, including those in the informal sector, as well youth and many women have been disproportionately affected by the economic and social shock of the pandemic. These groups have been particularly exposed because of the nature of their jobs and because they suffer from weaker coverage by social protection tools. G20 Governments have acted quickly and boldly to provide immediate support for people and businesses, but building back better involves tackling these inequalities. Our new report prepared for the G20 discusses why these groups are disadvantaged and which levers governments can use to enhance access to opportunities for groups in more urgent need of support, including young people, women, informal and non-standard workers, low-income, low-skilled workers and SMEs (OECD, 2020[1]).

The pandemic is increasing the risk that children and young people struggle to access learning opportunities and potentially do not graduate, while those who do will find it harder to find work experience and jobs. There is a risk that confinement measures compound the inequalities in children's learning linked to their family's socio-economic status as

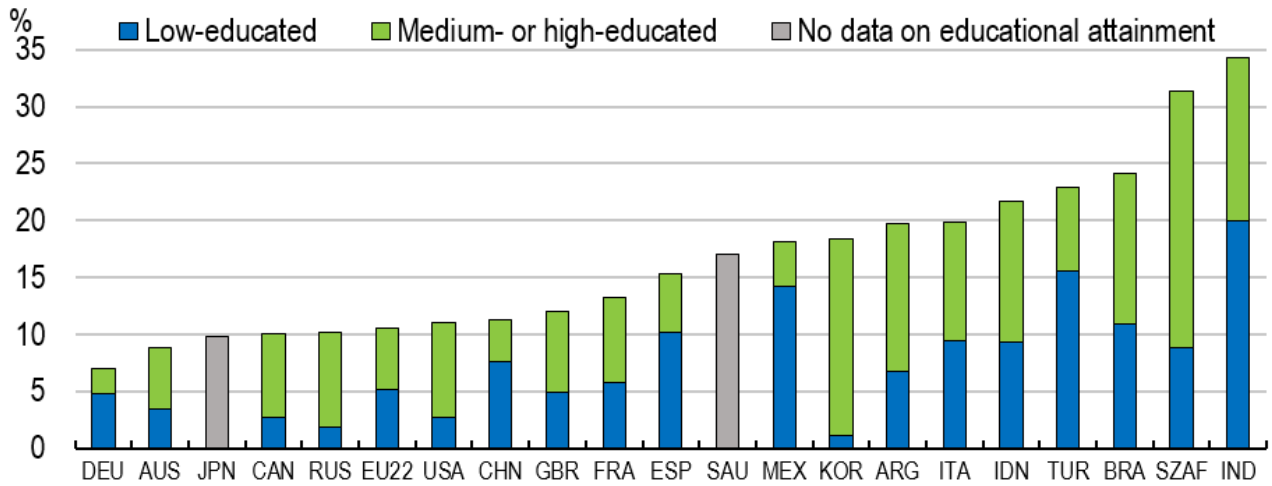
parents with higher levels of education and higher income have more opportunities to telework or arrange their work schedules to spend time with their children. In the lead-up to the crisis many young people already struggled to gain a solid foothold in the labour market, with around 19% of 15-29 year-olds not in employment, education or training (NEET) on average across G20 economies (Figure 1). Young people are also often among the most affected during labour market downturns as they generally hold less secure jobs (Figure 2) (OECD, 2020[2]). While the effects of the pandemic on the labour market are just starting, the increase in the youth unemployment rate was almost double that for the entire working-age population. The youth unemployment rate increased from 14.3 to 18.6 percent between February and May across G20 countries for which data is available, compared to an increase from 6.0 to 8.2% for the working-age population¹.

The first experiences of young people in the labour market is crucial: youth unemployment can have long-lasting scarring effects in terms of lower pay and higher unemployment (Bell and Blanchflower, 2011[3]; Schmillen and Umkehrer, 2017[4]). After the global financial crisis it took a whole decade, until 2017, before the youth unemployment rate returned to its pre-2008 level (OECD, 2020[2]). We can promote more equal access to opportunities for children and young people by targeting resources to disadvantaged schools and students, investing in high-quality teachers and school leaders and ensuring qualified educational staff and high staff-child ratios. Effective employment and social support, such as job search assistance and counselling, and work experience opportunities are important to help young people in their transition to the labour market. Targeted employment support and screening for barriers to access opportunities can help ensure that all young people, and particularly the most disadvantaged, receive the type and intensity of employment and welfare support that they need. Close collaboration between schools and the public and private employment services

can help increase the effectiveness of these services.

Figure 1. Many young people not in employment, education or training (NEET) have not completed high school

Percentage of 15-29 year-olds who are not in employment, education or training, by educational attainment, 2018



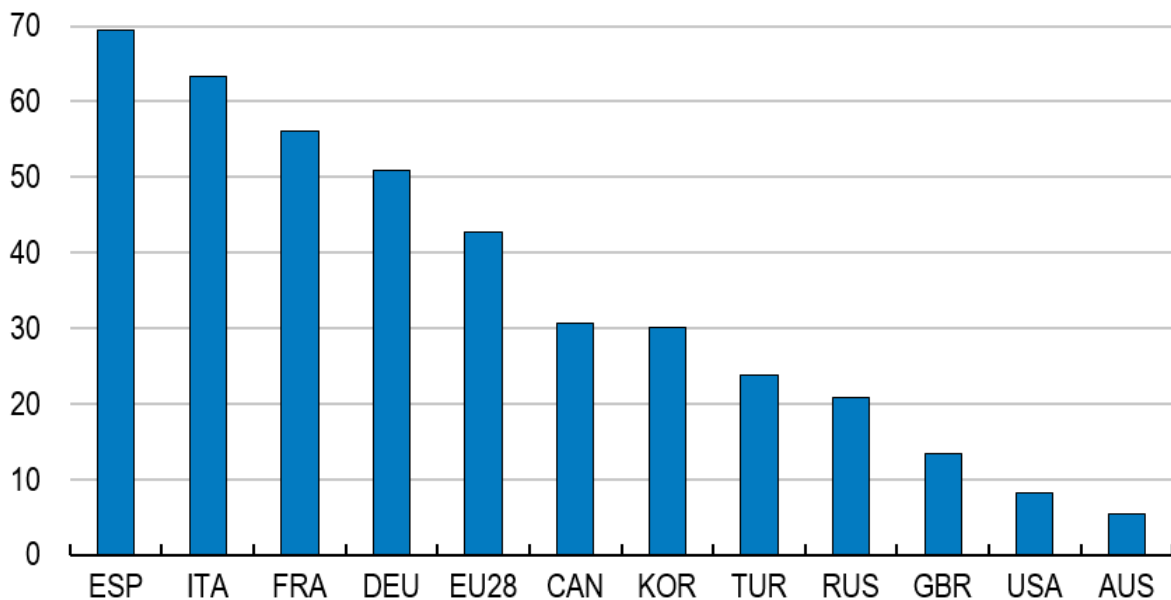
Note: A breakdown by educational attainment is not available for Japan and Saudi Arabia. The data refer to 2010 for China, 2015 for Japan, 2016 for Saudi Arabia and 2017 for Korea.

Source:

OECD (2020), Enhancing equal access to opportunities for all in G20 countries.

Figure 2. Youth in temporary employment

15-24 year olds, % of dependent employment, 2019 or latest available



Note: Temporary employment includes wage and salary workers whose job has a pre-determined termination date. Measured as percentage of dependent employees (i.e. wage and salary workers). Data for Australia and the United States are from 2017.

Source: OECD Employment Database.

Low-income, low-skill workers are being hit hard by the pandemic on multiple fronts. Low-income workers are less able

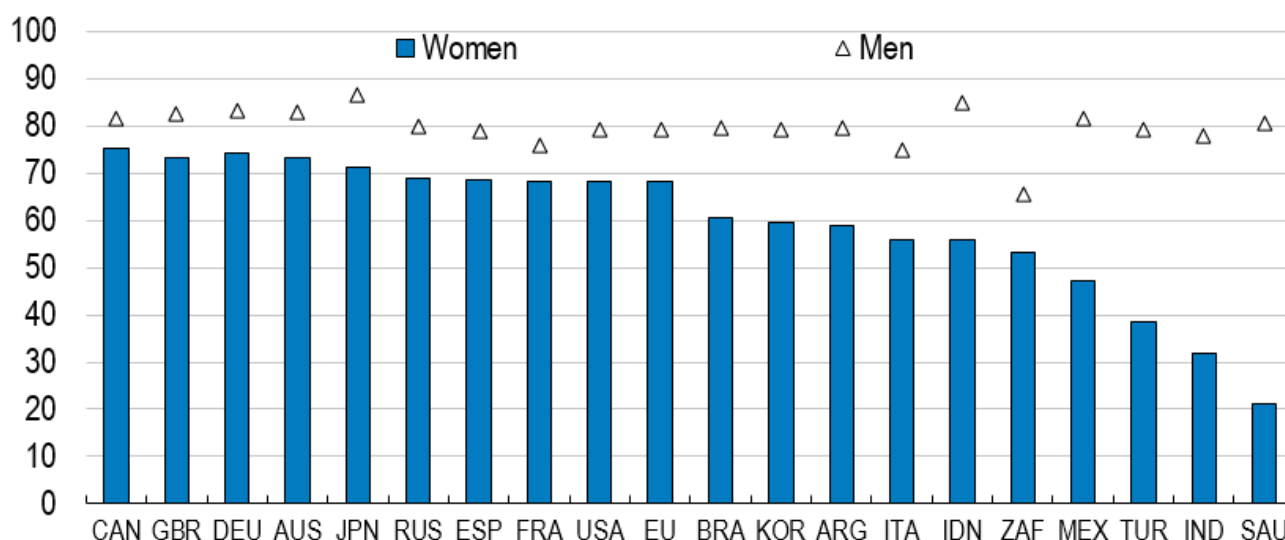
to work from home, are more likely to be working in sectors affected by shutdowns and are more likely to have suffered job or earnings loss. Even in the years leading up to the crisis, low-income, low-skill workers faced the risk of being replaced by digital and automated solutions (Nedelkoska and Quintini, 2018[5]). The crisis has pushed societies even more towards greater online sales and remote working. This push is likely to speed up digitalisation and automation trends, resulting in an even larger change in the demand for skilled jobs over the coming years. Building a sustainable and inclusive recovery means investing in people. Through upskilling and reskilling, especially in digital technologies, we can make digitalisation an enabler rather than competition for these workers. This calls, however, for reducing financial, time and scheduling barriers to participation in adult learning and for making sure that education and training programmes respond to the demand for skills in today's and future labour markets. Online training offers many opportunities to expand access to adult learning, but low-skill workers may lack the skills to make the most of this kind of training and may need extra support.

The pandemic recession has affected labour market prospects for women more than men so far. Many of the sectors most directly affected by COVID-19 are major employers of women. Even at the onset of the pandemic, women already faced difficulties accessing the same labour market opportunities as men. Women are less likely to participate in the labour market (Figure 3), and those who do work on average in jobs of poorer quality, with lower earnings and a greater incidence of part-time and informal work. These gender differences in employment rates, hours worked and hourly earnings cumulate over people's lives into a substantial gender gap in labour income. Across advanced G20 countries with available data, this gap ranges from around 30% in Canada to over 70% in Turkey. Outside of their paid job, the COVID-19 crisis likely amplified women's unpaid workload at home (OECD, 2020[2]). G20 countries have made significant progress to reducing the gender gap in labour

force participation but the pandemic has rolled some of this back. Recovery policies need to double down on reducing gender gaps in labour force participation by expanding access to quality formal childcare, reforming paid family-leave policies and strengthening long-term care systems. Further efforts will be needed to reduce the gender gap in earnings and the incidence of low pay among women by fighting gender biases and stereotypes, by attracting more women into careers in science, technology, engineering and mathematics, and by increasing the representation of women in leadership positions.

Figure 3. The gender gap in labour force participation remains large in some G20 economies

Percentage of the population aged 15-64 participating in the labour force, 2018



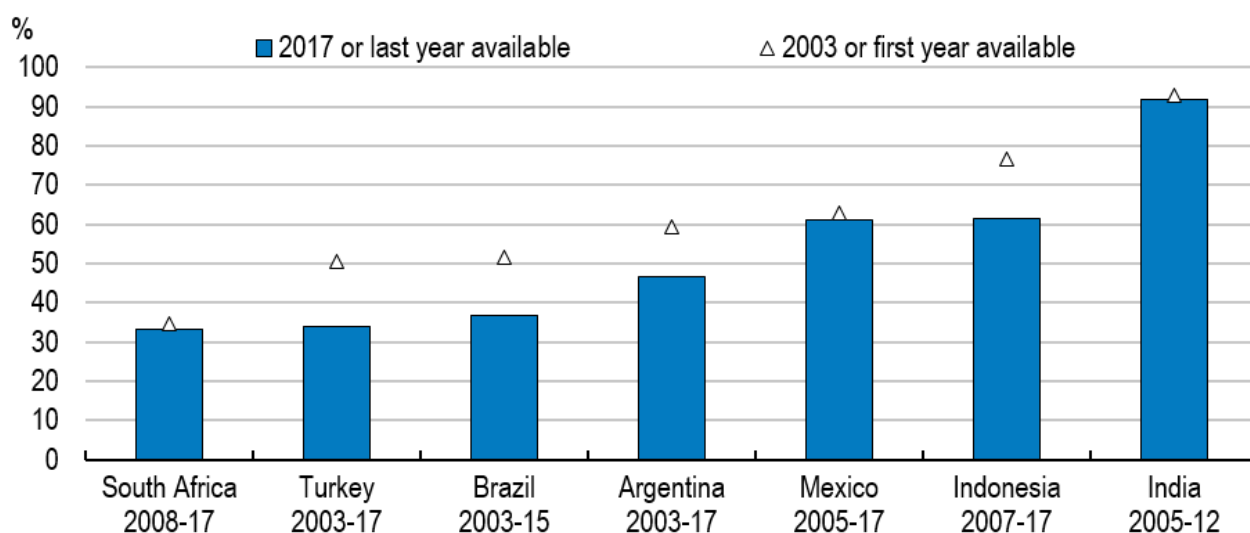
Note: The data refer to: 2015 for India and 2017 for Russia; and the population aged 15 and over for India and 16-64 for the United States.
Source: OECD (2020), Enhancing equal access to opportunities for all in G20 countries.

Informal and non-standard workers, including workers on temporary contracts, in part-time jobs and the self-employed, are particularly exposed to job and income losses in any crisis (OECD, 2020[2]). At the same time, these workers often benefit less, or do not benefit at all, from social protection measures and health coverage. A sizeable share of workers undertake non-standard work (OECD, 2020[6]), while informal workers make up 33 to 91 percent of all workers in emerging G20 economies with available data (Figure 4). The crisis has highlighted the extent of this vulnerability by forcing some non-standard and informal workers to choose between protecting themselves from the virus and having an income. Many countries

have recognised this difficult situation and have put in place emergency income support, scaling up means-tested assistance of last resort, introducing new ad-hoc cash transfers and providing direct support for expenses. However, these disadvantages in labour market conditions have structural roots. These workers are often faced with lower job quality and fewer opportunities for training and career development. To ensure a more resilient and inclusive economy and society, we need to help more workers get good quality jobs and benefit from social protection systems. We can do this by encouraging formal job creation, in part by ensuring effective labour market regulation that avoids unnecessarily adding to the cost of formal employment, increasing the perceived benefits of formal employment, keeping labour taxes moderate and strengthening enforcement methods and compliance. We can improve access to training and career development for these workers by making training rights portable between jobs and available to all irrespective of employment status through individual learning schemes.

Figure 4. Informality rates are still sizable in G20 emerging economies

Informally employed persons as a % of the working-age employment



Note: Informality is defined to include: i) employees who do not pay social security contributions; and ii) self employed who do not pay social security contributions or whose business is not registered.

Source:

OECD (2020), Enhancing equal access to opportunities for all in G20 countries.

SMEs are facing dramatic revenue losses and severe liquidity

shortages as a result of the pandemic. Small and medium-sized enterprises (SMEs) account for the majority of overall employment and have a considerable impact on employment growth (OECD, 2019[7]; Koirala, 2019[8]). The sudden loss of revenue could translate into insolvency problems and unnecessary bankruptcy for SMEs who in normal times are viable and sound businesses. Building back better also involves creating the right conditions for SMEs to thrive. We can create these by improving access to finance, creating a business-friendly environment that creates an equal playing field across businesses of all sizes, reducing regulatory barriers and supporting women and youth entrepreneurship.

We have a chance to build back better and make growth more inclusive. But to do this, we need to tackle the inequalities that existed well before this pandemic and are now getting worse. Governments have many levers to make this happen. G20 Governments need to keep acting boldly to make sure that the recovery benefits everyone.

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