HSBC Global Research

18 June 2020

A difficult job

Making sense of the global labour market

Economics
Global

- Government policy responses to COVID-19 have focused on economy-wide support for labour incomes
- We examine the impact on unemployment around the world and highlight areas where stabilisation is apparent
- Jobless levels are set to end next year well above pre-pandemic rates, so policy will need to become more targeted

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Unemployment rates around the world are rising because of the toll that lockdowns have taken on many different business sectors. But they are set to rise further in some countries in the face of weak demand and once the job retention schemes that many governments have put in place come to an end. How many of the jobs that have been "furloughed" will actually still be there when life returns to normal and the assistance falls away?

In this report we provide an overview of global labour market developments since the COVID-19 outbreak began. We summarise the policies delivered by governments around the world to try to limit the rise in unemployment and protect labour incomes. Drawing on global PMI survey data and labour market releases from countries such as Australia and Korea, which have already eased their suppression measures, we try to assess the sectors that were most affected by the social-distancing measures and those where there are signs of stabilisation. We look too at some of the distinctions between developed and emerging markets.

We also highlight the sectors that could be vulnerable as economies open up but income effects on companies and consumers keep demand weak. The first round of job losses has been more evident in lower-skilled, lower-paying jobs and is disproportionately affecting younger and female workers. Future job losses, which would extend more to areas of professional and business services, could increasingly weigh on middle-income workers too. Based on our projections, most countries will be unable to prevent unemployment from ending next year much higher than pre-pandemic levels.

This means policy will have to evolve. Government support measures initially needed to be economy-wide – covering pretty much all companies in all sectors, at least in most advanced economies. These measures will have to be scaled back and the next round of policy support will need to be more flexible and targeted, including towards reskilling. Workers will have to seek new jobs to replace the ones that will disappear. In countries such as France, which have committed to extending short-shift schemes for up to another two years, the pace of this labour re-allocation is likely to be slower. This should imply a smaller short term hit to incomes, and even jobs if multinational companies are more inclined to protect jobs in those countries where government support remains in place. But, over the medium to long term, this could potentially have a more negative impact on productivity and future potential growth.

This is a redacted version of the report published on 18-Jun-20. Please contact your HSBC representative or email AskResearch@hsbc.com for information.

Global labour market

- We examine the main developments in global labour markets over the past few months
- Signs of stabilisation are apparent in places but unemployment is set to remain well above pre-pandemic levels until end-2021
- Government policy support to labour incomes will need to evolve

A ten million upside surprise to monthly US non-farm payrolls would be a jaw-dropping number in any world – but even more so in the third month of what most agree will be an even deeper recession than that registered in the wake of the global financial crisis. The monthly rise in jobs created of 2.5 million was equally surprising and much welcomed by financial market participants and policymakers alike. But these numbers tell us more about the phasing and timing of the opening up of various sectors and regions of the economy and the impact of new temporary government support measures than they do about the underlying strength of the labour market or what the lasting impact of this pandemic will be on labour demand and supply.

Looking through the noise in the labour market data

In this report we provide an overview of labour market developments around the world since the COVID-19 outbreak began. We summarise the policies delivered by governments to try to limit the rise in unemployment and protect labour incomes and a detailed country appendix can be found on pages 26-33. We also draw on global PMI data and labour market releases from the countries which have already halted their lockdowns to try to assess the sectors which have been most affected by the social distancing measures but where some stabilisation is now evident and workers are starting to be recalled. But there are also sectors that could see bigger permanent job losses even as economies open up: income effects could continue to weigh on both companies and consumers, keeping demand weaker than before the pandemic and feeding through into weaker profits. The implications for wage growth are not the focus of this report, but history has shown that those workers who are recalled by their employer see no loss in pay but those that become permanently unemployed receive lower pay in their next job.

The challenges for government policy are set to remain high for the foreseeable future, especially as government debt stocks are already growing sharply. We conclude by summarising how policy might evolve and the varying impact such measures can have on near-term and longer-term growth.

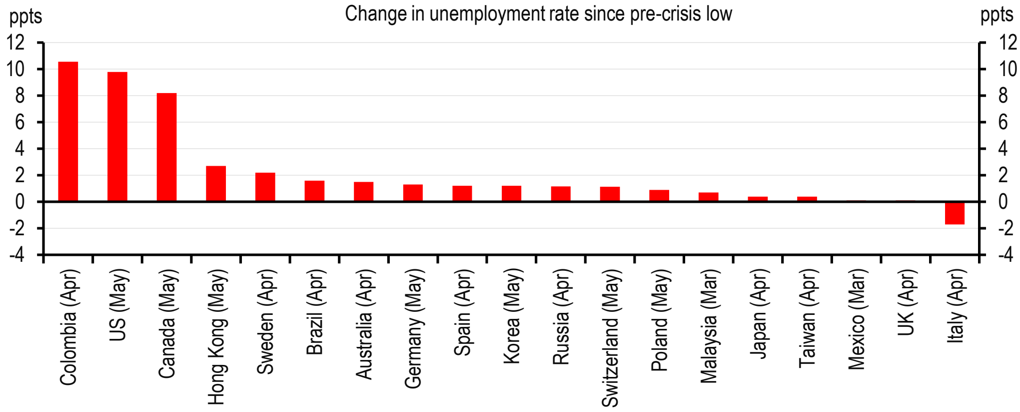
What's happened to unemployment?

The hard data

Changes in unemployment rates can be misleading

Labour markets are hard to read at the moment. We know that the speed at which jobs are being lost across the world is unprecedented but the scale of losses is not easy to compare across economies as many economies do not publish timely employment data. They simply publish an unemployment rate and in chart 1 we show that the change in unemployment rates since the outbreak of COVID-19 has varied enormously across economies. The key stand-out, remarkably enough, is Italy – the Eurozone country which has been most affected by the pandemic -- where the unemployment rate has actually fallen since the start of the outbreak. This illustrates only too clearly that the unemployment rate is currently a misleading indicator of overall job market conditions in many economies due to the large swings in labour force participation or because in some economies, particularly in Europe, many workers are still employed within temporary labour support schemes.

1. Economies with timely unemployment rates show starkly different changes

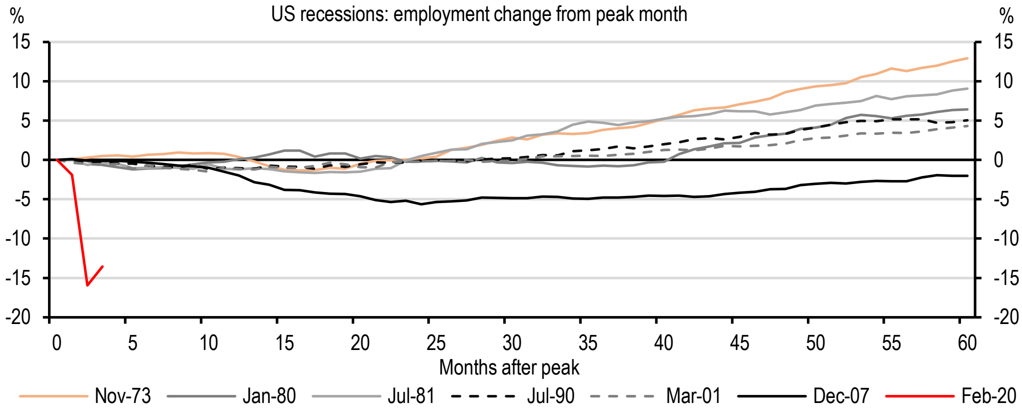


Source: Refinitiv Datastream.

The unemployment rate has fallen in Italy

Italy's data points to one of the key challenges we face when interpreting labour market data in these difficult times. The unemployment rate will depend not just on the number of employed/unemployed but also the participation rate. Unfortunately, few countries publish timely employment data but, even within the small sub-set that does, the scale of job losses has diverged hugely between countries. Job losses in the US have been amongst the largest.

2. The drop in employment in the US dwarves any other downturn

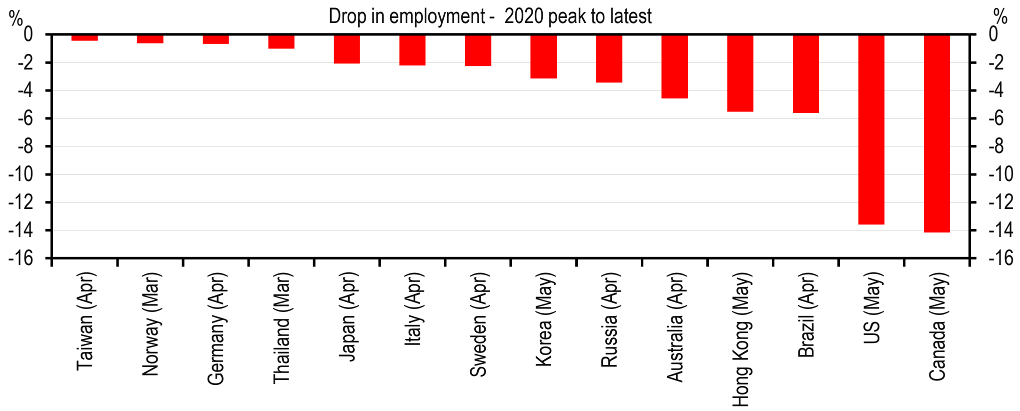


Source: Refinitiv Datastream. Note: Dates refer to cycle peaks are defined by the NBER.

Employment drops masked by policy responses

Despite the renewed rise in May non-farm payrolls, the US economy still had 13.6% fewer people employed than in February, dwarfing the declines seen in previous downturns over the last 50 years in terms of speed and size (chart 2). Job losses have been huge in Canada too, whereas in others for which we have timely data, they have been much smaller – e.g in Taiwan because there was no lockdown or Germany and Italy because of the widespread usage of short-shift schemes (chart 3).

3. Drops in employment levels have varied hugely

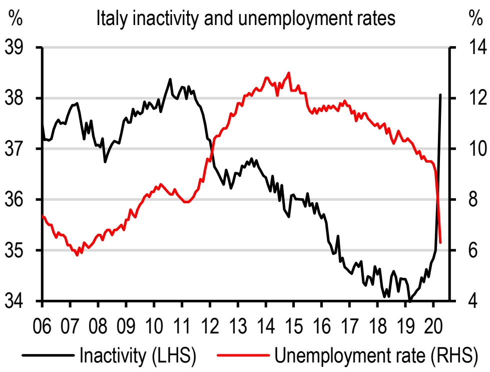


Source: Refinitiv Datastream

Swings in participation rates are playing havoc with the unemployment data

The unemployment rate can also change quickly in response to the participation rate. The ILO have acknowledged the difficulties that many statistical offices could have with collecting data[1]. However, it seems very clear that at the worst point of lockdown, many workers became inactive as was the case in Italy in April (chart 4). Likewise India has since seen a large drop in the unemployment rate, from 23% in early-April to 11% in early-June. Details are not available but it seems likely that this was at least partly explained by the disruption from labour returning to their rural homes starting to ease. In the opposite direction, in Korea, when jobs were being cut in March and April, the jobless rate barely changed as people halted searching for new positions during the COVID-19 outbreak. But in May, the unemployment rate rose even though hiring activity resumed because the labour force participation rate increased, even though it is still below last year's level.

4. Italy's spike in inactivity rates highlights measurement problems



Source: Refinitiv Datastream

5. The number of new German short-time workers spiked

Source: Refinitiv Datastream. Note: New applicants to the short-term work programme.

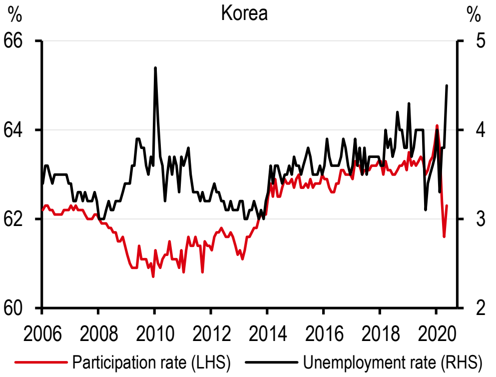
Hours worked can give a better indication

Where available, the number of hours worked can be a better reflection of labour market activity. The UK unemployment rate was unexpectedly unchanged in April at just 3.9% (thanks to the Job Retention Scheme) but the number of hours worked fell 8.7% q-o-q (chart 7). These series will also provide a good indication as economies recover. For instance, in Australia, after

[1] COVID-19 impact on the collection of labour market statistics, ILO, 11 May 2020

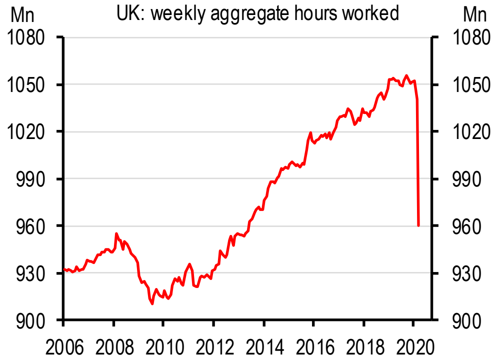
a sharp drop in total hours worked in April, the RBA Governor Philip Lowe said on 2 June[2] that "there are signs that hours worked stabilised in early May".

6. Korea's unemployment rate rose in May as workers returned to the labour force



Source: Refinitiv Datastream

7. UK hours worked plummeted in April even though unemployment was stable



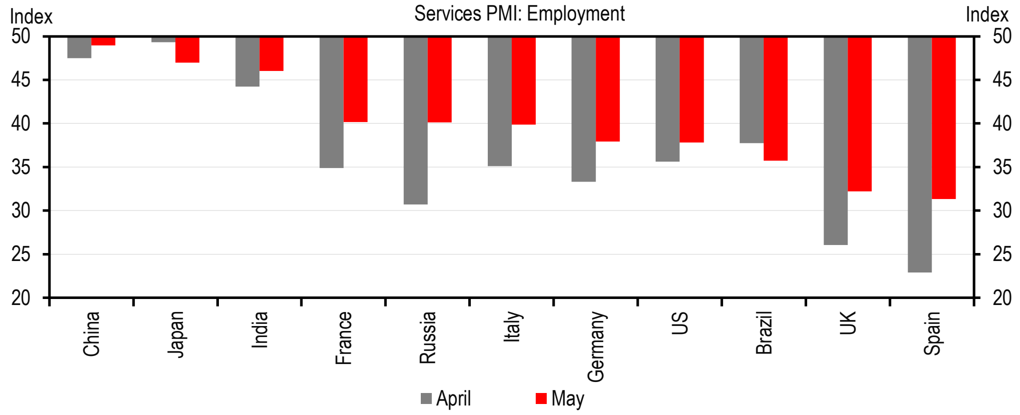
Source: Refinitiv Datastream

The surveys

Service sector PMIs show employment still falling in May

Timely labour market data across a wide range of countries is unavailable but we can get some indication from surveys. With the service sector far more affected by the crisis than manufacturing for now, we can look at the service sector PMIs – but even these are only available for a handful of countries. However, they do show a sharp contraction in hiring intentions in both April and May – even if the pace of decline was less marked in May for most.

8. Services PMIs suggest further job losses in May globally



Source: Markit Economics

Manufacturing PMIs - although having been slightly less impacted - are released for far more countries. We can see across the board sharp contractions in labour demand, most notably in emerging markets where the pandemic is now most pressing: South Africa, Indonesia, Russia and Mexico.

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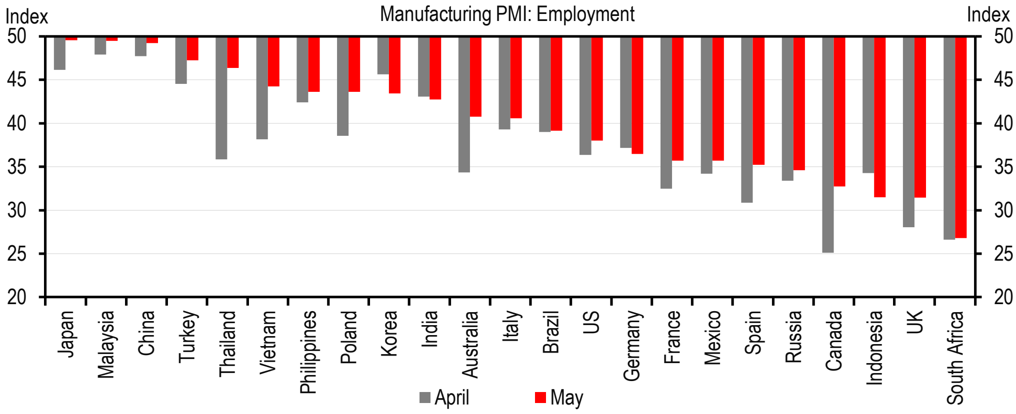
[2] Statement by Philip Lowe, Governor: Monetary Policy Decision, RBA, June 2020

9. Manufacturing PMIs point to weak employment pictures is most economies



Source: Markit Economics

Many migrant workers have not yet returned to China's cities

In China, the sharp contraction in activity, spilled over to the labour market. Apart from the rising surveyed urban unemployment rate (6% or more than 26 million workers), there is also a large amount of people who, while not labelled as unemployed, are classified as "employed, but not working" (see *China Inside Out: It's all about jobs*, 28 April) and it is clear that millions of migrant workers have not yet returned to the cities. As a result, labour markets are a key component of the policy agenda going forwards.

Which sectors have been affected?

A different type of recession as services take the brunt of job losses

Typically in recessions, it's been jobs in natural resources, construction, manufacturing and information jobs that have taken the hit, but this time it's been heavily concentrated in the leisure and hospitality space. The sectors that are typically affected, such as manufacturing and construction have so far been less affected, but they are prime candidates to feel any second round of job losses as the recession continues and demand for goods and housing dries up. In the short term these sectors may fare better because demand does not rely on visiting crowded locations.

10. The sector breakdown is very different to previous downturns

US: Drop in employment from cycle peak to employment trough: Shown as total % (number of months to trough)

Cycle peak month	Total Private	Natural resources	Construction	Manufacturing	Retail	Information	Financial	Prof & Bus services	Leisure & Hospitality	Education & health	Government
Jul 53	-4.3 (13)	-11.7 (14)	-0.2 (6)	-9.7 (13)	-1.0 (8)	-6.9 (13)	- -	-1.4 (8)	-0.8 (8)	- -	- -
Aug 57	-5.3 (10)	-11.0 (9)	-6.5 (6)	-9.2 (10)	-2.6 (8)	-7.4 (10)	0.0 (1)	-2.7 (9)	-1.8 (9)	-0.3 (6)	-0.1 (1)
Apr 60	-2.8 (10)	-9.0 (23)	-4.7 (8)	-5.4 (10)	-2.8 (12)	-3.9 (12)	- -	-0.1 (8)	-1.9 (12)	- -	-1.2 (1)
Dec 69	-2.0 (11)	-11.7 (22)	-2.5 (1)	-7.9 (11)	- -	-3.1 (20)	- -	- -	- -	- -	- -
Nov 73	-3.5 (17)	- -	-17.3 (20)	-11.2 (20)	-0.2 (3)	-5.3 (19)	- -	- -	-0.2 (1)	- -	- -
Jan 80	-1.6 (6)	-1.5 (15)	-9.7 (23)	-5.5 (23)	-0.7 (6)	-2.8 (7)	- -	- -	-0.3 (5)	- -	-1.0 (20)
Jul 81	-3.5 (17)	-19.3 (23)	-8.4 (15)	-11.2 (17)	-0.7 (6)	-5.1 (19)	- -	- -	-0.3 (6)	- -	-1.8 (12)
Jul 90	-1.8 (19)	-10.5 (23)	-13.1 (23)	-5.1 (20)	-2.9 (18)	-2.3 (18)	-1.7 (18)	-2.1 (10)	-0.8 (10)	- -	-0.7 (2)
Mar 01	-2.7 (23)	-5.6 (23)	-2.8 (23)	-12.7 (23)	-2.7 (23)	-13.0 (23)	- -	-5.4 (21)	-0.8 (15)	- -	- -
Dec 07	-7.3 (22)	-10.7 (22)	-24.0 (23)	-16.3 (23)	-7.7 (23)	-9.0 (23)	-6.4 (22)	-9.1 (20)	-4.2 (23)	- -	- -
Feb 20	-16.3 (2)	-11.5 (3)	-13.9 (2)	-10.7 (2)	-15.1 (2)	-10.9 (3)	-3.2 (2)	-10.6 (2)	-49.1 (2)	-11.3 (2)	-6.9 (3)

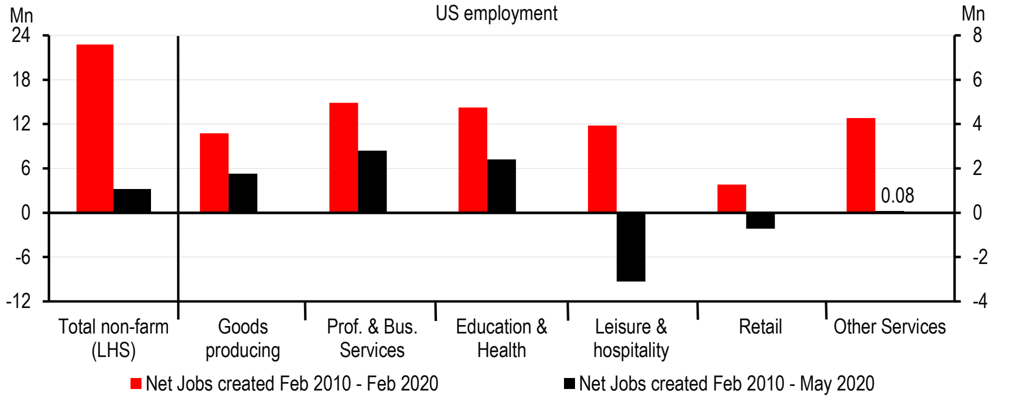
(shaded) Indicates a drop by more than total private employment

\- Indicates that employment remained above the level seen at the cycle peak within the subsequent two years

Source: HSBC, Refinitiv Datastream.

The industries that drove the rise in jobs over the past cycle (notably in the services sector) are the ones that have had the biggest drops in employment in the first few months of this crisis.

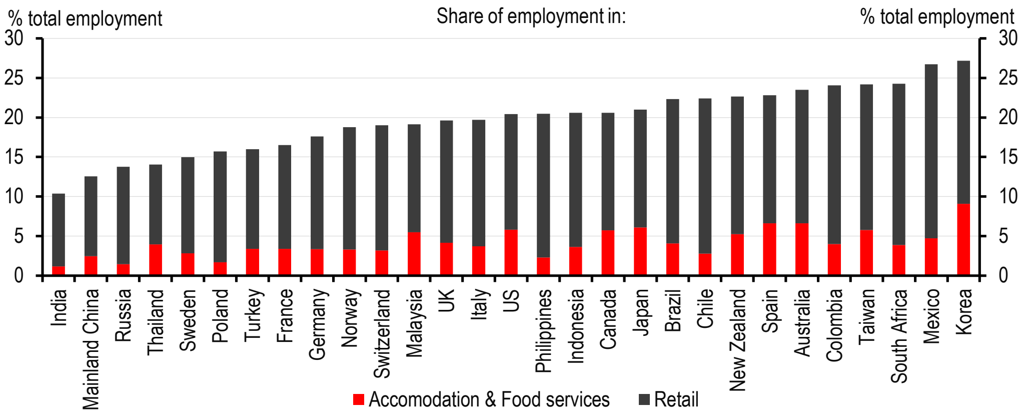
11. Nearly all the service sector jobs created since the last recession have been shed



Source: Refinitiv Datastream.

This is a particular problem in economies where these types of services jobs are a bigger share of employment, such as Korea, Mexico and South Africa where well over 20% of jobs are in sectors directly affected by lockdowns.

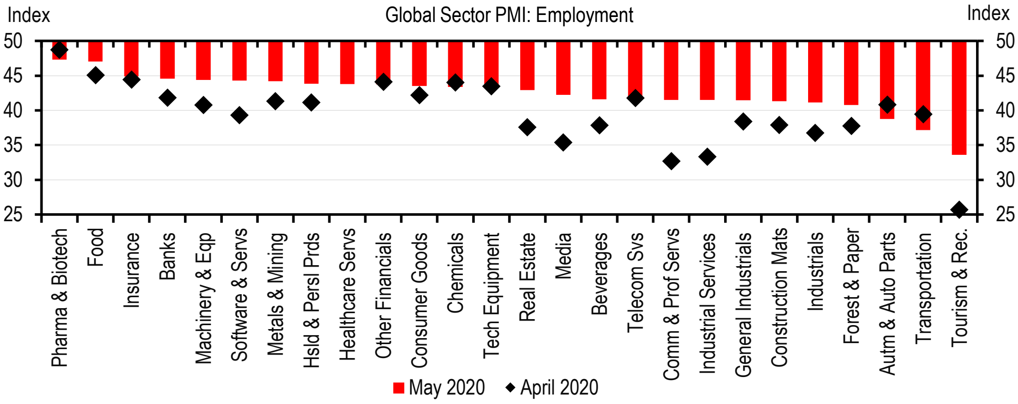
12. Economies with more people employed in shut down industries will feel the pinch more



Source: ILO.

But, it's not just these sectors feeling the pain. May's global sector PMIs suggest that jobs are being shed in every industry, although less so in May than in April. Unsurprisingly travel and tourism is particularly bad, but autos, transport and paper products are also weak, suggesting that it's not just lockdown closures impacting the global labour market – demand effects are already playing a role.

13. Sector PMIs point to falling employment in every sector



Source: Markit Economics. Note: Healthcare services employment PMI was >60 in April and so the dot is not on the chart for scaling purposes.

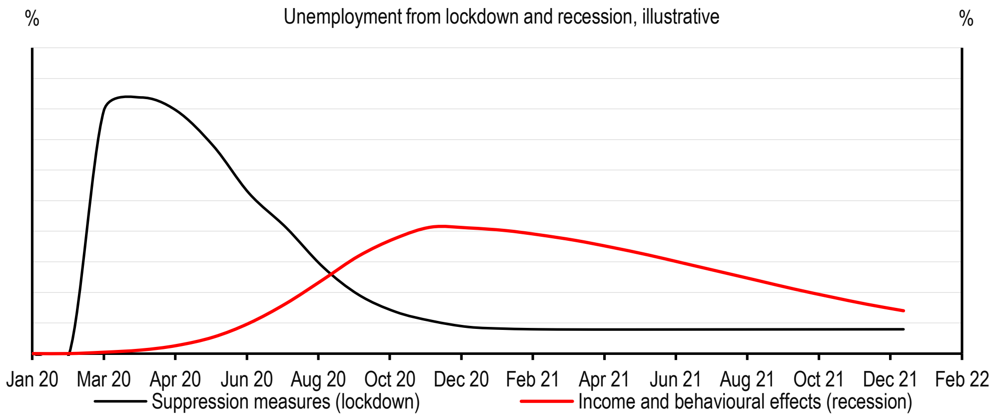
Will it get worse?

Second round of job losses in response to new lower demand

The lockdown vs the recession

One problem with making forecasts about future employment is that there are two types of job losses associated with this pandemic. The immediate labour market impact is from jobs that are furloughed or lost as a consequence of the social-distancing measures that have been imposed. But, over time (and in some countries already) the income effects of the pay cuts and job losses will also mean lower demand for some goods and services especially as precautionary savings are likely to be higher once the initial pent up demand has run its course. Weaker revenues mean weaker profits and, for some companies, closure or bankruptcy. Different industries are more exposed to the former supply-driven restrictions than to the latter demand-driven changes.

14. The lockdown causes one set of job losses, the resulting recession causes others



Source: HSBC. Note: illustrative for countries such as the US without a short-work scheme, so the picture will look quite different in parts of Europe with those schemes

While job losses have been evident across all sectors in the midst of the pandemic, it is clear that jobs related to hospitality, recreation, tourism and many areas of transportation have been by far the most affected by the social-distancing measures that have been put in place. While in some there are signs of improvement in these sectors as some of those made temporarily unemployed return to work, they remain far below pre-pandemic levels. The recovery in these could also be slow if consumers are still fearful of crowds in the early stages of opening up and could even see further job losses once the furloughing schemes have come to an end or have become more selective in the sectors and companies they support.

Employment in some of most affected sectors will see a partial bounce back quickly

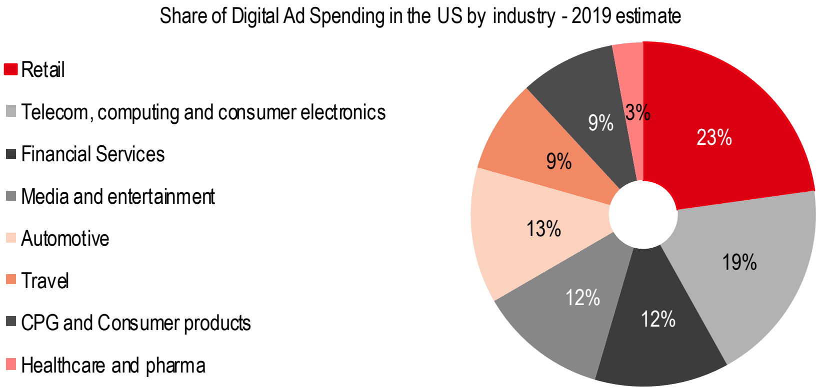
In the UK, according to a survey from CGA[3], just 36% of business leaders in the out-of-home food and drink market believe they will eventually re-open all of their sites for trading, with another third yet to decide on closures. But almost all expect to see a much-reduced market overall in the future, with somewhere between 70% and 80% of sites across pubs, bars, restaurants, late-night venues and hotels continuing to trade. This will have a clear impact on employment and income prospects for those who work in the sector, who, according to the same survey, have taken the full 20% drop in wages as 76% of respondents with furloughed staff are not topping up wages above the 80% paid by the government

But as income effects on both companies and consumers come through then the job losses and weaker jobs growth could be more in line with a more 'typical' recession – in sectors such as manufacturing but also areas of professional and business services.

Advertising and media is already hurting

Advertising is one sector where this is already apparent. With many consumer services closed, many of the biggest advertisers in the world have pared back their spending substantially. A survey by Marketing Week and Econsultancy of 477 UK brand marketers found that 50% said they were making cuts to budgets[4]. This has had an impact further along the line. Media companies, most acutely affected by the drying up of revenues from advertisers, have slashed jobs, with layoffs at The Atlantic, Vice, Condé Nast, The Economist and Quartz. With professional sports postponed, TV companies have lost key advertising slots, hurting profits and keeping thousands of workers in filming and production out of work

15. Retail is the biggest contributor to ad spending



Source: emarketer.com

Administration and professional services more affected in second round

This is just a taste of how this bites industries further down the line. Analysis from Bloomberg suggests that due to the linkages between industries that are closed down as a result of lockdowns and other services, we could see 2-10% of jobs at risk in a second round of job losses in the US[5]. This is most likely to affect admin and support services, professional services and wholesale trade – those sectors immediately downstream from restaurants, arts and accommodation services shuttered for months. Other higher-paying industries may just adapt to a 'new normal' with a smaller workforce. While the knock-on effects are likely to be smaller in terms of the number of jobs lost they could be just as damaging for economic activity. Whereas the first wave of job losses is more concentrated in the lower-skill, lower-paying jobs, often part of the gig economy, the subsequent jobs losses are more likely to be amongst middle-income

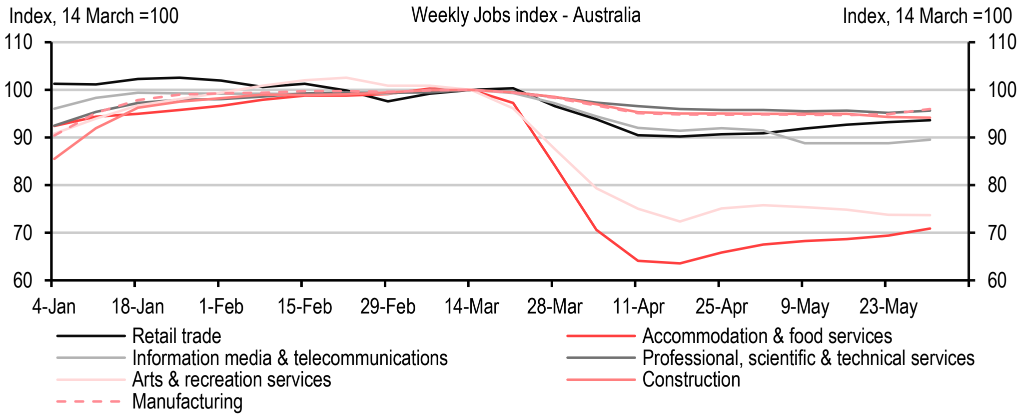
[3] Industry stepping up plans for a depleted market post lockdown, CGA, 6 May 2020
[4] Just 7% of brands 'seize the opportunity' to invest more in marketing during Covid-19, Marketing Week, 28 April 2020
[5] Next Wave of U.S. Job Cuts Targets Millions of Higher-Paid Workers, Bloomberg, 2 June 2020

households, whose income drop to unemployment benefits would deliver a sharper decline in household incomes, and likely a bigger fall in spending.

Australian data already reflects the second round

Such trends are already becoming apparent in some of the timely data. For instance, in Australia, which has a very low number of COVID-19 infections, and where the economy has started to open up, there is already evidence of employment stabilisation in some of the most affected sectors, such as accommodation and recreation. However, some of the hitherto more resilient sectors such as professional services are starting to gradually shed jobs (chart 16).

16. Australia's data suggest that other industries are now being weighed down



Source: ABS

Meanwhile, in the US, data from jobs website Indeed[6] shows that while US jobs postings are down 31% through 12 June compared to the same trends in 2019, the sector breakdown is interesting, with those sectors that saw the biggest drop-offs in new jobs through to May – such as hospitality and tourism and childcare – have bounced back while the number of jobs advertised in finance or software development has seen the trend turn down further. Data from Glassdoor[7] up to early June confirms the same: travel & tourism vacancies were up 14% in the month to 8 June while business services job openings were down 9.1%, again in the US. These sectors may not have been hit so hard by the initial shock, but job losses look set to continue.

Is this delayed impact due to the nature of the policy response?

Due to the nature of this crisis, governments across the world have stepped in to provide support to companies and employees in a number of ways in recent months. A summary of the labour market measures across OECD and other large EM countries is below, while details of the wage and unemployment support across countries are in the appendix on pages 26-33.

[6] Coronavirus and US Job Postings Through June 12: Data from Indeed.com, 15 June 2020
[7] Job Openings -29% Since March, Employee Satisfaction Drops as Crisis Drags On, Glassdoor, 16 June 2020

17. Summary policy measures to support labour markets across the world

		Income support to sick workers and their families	Income support to quarantined workers who cannot work from home	Helping dealing with unforeseen care needs	Income support to persons losing their jobs or self-employment income	Helping firms to adjust working time and preserve jobs	Financial support to firms affected by a drop in demand	Changes to dismissal regulation	Helping economically insecure workers stay in their homes
OECD	Australia			✓	✓	✓	✓		✓
	Canada	✓	✓	✓	✓	✓	✓		✓
	Chile	✓	✓		✓	✓	✓		✓
	Colombia	✓	✓		✓		✓	✓	✓
	France	✓		✓	✓	✓	✓	✓	✓
	Germany		✓	✓	✓	✓	✓		✓
	Italy	✓	✓	✓	✓	✓	✓	✓	✓
	Japan	✓		✓	✓	✓	✓		✓
	Korea	✓	✓	✓	✓	✓	✓		✓
	Mexico						✓	✓	✓
	New Zealand	✓		✓	✓	✓	✓		✓
	Norway			✓	✓	✓	✓		✓
	Poland	✓	✓	✓	✓	✓	✓		
	Spain	✓	✓	✓	✓	✓	✓	✓	✓
	Sweden	✓			✓	✓	✓		
	Switzerland		✓	✓	✓	✓	✓		
	Turkey	✓			✓	✓	✓		
	UK	✓	✓	✓	✓	✓	✓		✓
	US (federal level)	✓		✓	✓	✓	✓		✓
Non-OECD	Argentina	✓		✓	✓	✓	✓	✓	✓
	Brazil (national level)	✓	✓		✓	✓	✓		
	China (national level)	✓			✓	✓	✓	✓	
	India (national level)	✓			✓	✓	✓		✓
	Indonesia				✓		✓		✓
	Russian Federation	✓	✓	✓	✓	✓	✓		✓
	Saudi Arabia		✓			✓	✓		
	South Africa	✓	✓		✓	✓	✓		✓

Source: OECD

This table is a useful overall summary but only highlights whether policies have been adopted, rather than the breadth or scale of them. Encouragingly, it shows that most countries have delivered various forms of labour market support but it is clear from the detail in the appendix that advanced economies have generally been able to provide a larger degree of fiscal support than in the emerging world. However, even in the advanced economies, the way in which they affect the labour market both in the near term and over the longer term will vary.

US policy focused more on protecting incomes

In the US, the first round of financial support was directly to consumers: additional COVID-19 unemployment insurance (on top of existing unemployment insurance) is USD600 per month, for up to four months, and the same direct payments of USD1,200 are being made to adults. This meant that, at least initially, workers were simply let go (in most cases made temporarily unemployed) and the unemployment rate spiked sharply in April. For some workers in the US, the income support is very generous but only for three months. In fact quite a few US workers in hospitality and retail are enjoying higher incomes because of the enhanced unemployment benefits than they did in poorly paid jobs (see: *US Economic Outlook, Surviving the shock*, 16 April 2020); whereas workers on short-shift schemes in Europe - while much more supportive in terms of duration - earn 70-80% of their pre-pandemic pay.

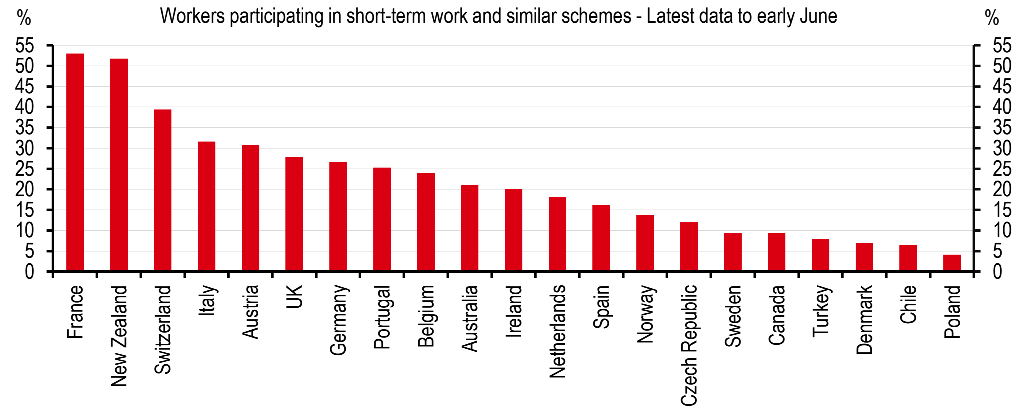
But this was quickly followed up with forgivable loans to small businesses of up to USD10m as part of the Paycheck Protection Programme (PPP), with over USD500bn of funds disbursed between mid-April and mid-May. This has supported employment in the short term, likely contributing to the surprise rise in May non-farm payrolls. The recently passed PPP Flexibility Act relaxes some of the requirements for the loans to be forgiven -- borrowers must use 60% of the funds for payroll costs (rather than 75%) over a period of up to 24 weeks (rather than 8 weeks).

European policies have concentrated on protecting jobs

In Europe the approach has been different with policy support aimed at keeping many workers on company payrolls through short-term work schemes which governments finance. In many countries these were already in place and widely used before the pandemic (for instance during the 2019 industrial recession in Germany) but they have been much more commonplace over the past few months (chart 18). A vast range of firms have either seen plummeting demand or have been unable to operate during the suppression measures. As economies start to open up more meaningfully in the coming months, the key area of uncertainty is how many of these employees will still be needed.

Once these job support schemes end, we could see unemployment rates move higher but, given recent announcements, that may not be for some time. France has already announced plans to extend its programme, where the state pays subsidies to companies to fund the salaries of those prevented from working, for up to two years. Germany's government has said that it will announce rules on how its short-time work scheme could work into 2021, while Spain's emergency temporary leave scheme is likely to be extended, at least for some sectors. Italy has extended its own programme through until the end of August and, for certain industries, until the end of October.

18. A large number of workers are involved in short-term work schemes



Source: OECD Economic Outlook Q2 2020, National Sources, Refinitiv Datastream, HSBC.

Unemployment in Europe will peak later…

For this reason, higher unemployment rates in Europe could occur later in the year, rather than the April (likely) peak we saw in the US. The peak unemployment rate would likely be somewhat lower than in the US but the recovery could be very slow in terms of jobs coming back. In most other countries the initial drop in unemployment rates is likely to be quick as businesses re-open but the path from there could be extremely slow and steady.

19. The details of some schemes across the world

Country	Generosity	Can recipients work?
UK	March – July 2020: Government pays employers 80% of wage of employees up to GBP2500 per month. Employers can top up remaining 20%. From July 2020 – same applies but some contribution from employers	March – July 2020: Employees must be fully laid off (furloughed) by employers. From July 2020: Employees can work part-time, with wages paid for worked hours.
Germany	Government pays employers 67% of wage up to EUR6700 per month	Employees can work part-time with appropriate cost-sharing.
France	Government pays employers 70% of wage up to EUR6927 per month	Employees can work part-time with appropriate cost-sharing.
Denmark	Government pays employers 75% of wage up to EUR3418 per month. Employers must pay the remaining	Workers on scheme must take 5 days of mandatory leave during the period.
Canada	Government pays employers 75% wages up to CAD847 per week. Employers must show that revenue has dropped by 30% in April/May	Employees retained, separate income support for reduced hours on work-share programmes
US	Uses unemployment insurance system for permanent and temporary layoffs, with the generosity increased.	Small business grants may be allocated to avoid lay-offs.

Source: How does the government's furlough scheme work?, Economics Observatory

…as some jobs are shed only as policy support fades

In the UK, the government has already set out how it will wean the economy off the furloughing scheme that was put in place in March. Similar to the short-shift working schemes on the continent, the UK government currently pays up to 80% of salaries (up to GBP2,500 per month) for workers which companies have asked not to come to work. But the scheme is set to be gradually wound down between the end of July and the end of October. Roughly 25% of the workforce are currently being paid through this scheme risk but, with some degree of social distancing and behavioural shifts likely to remain in place, it is reasonable to assume that may of those workers will not return to work. It could mean job losses as soon as August for some given that is when it goes from being cost-free for companies to participate in the scheme to them having to start paying pension contributions and subsequently a growing share of the 80% of salary to workers. (See *The UK's Job Retention Scheme* 11 June 2020.)

20. The UK's Job Retention Scheme is set to taper from July and end by November

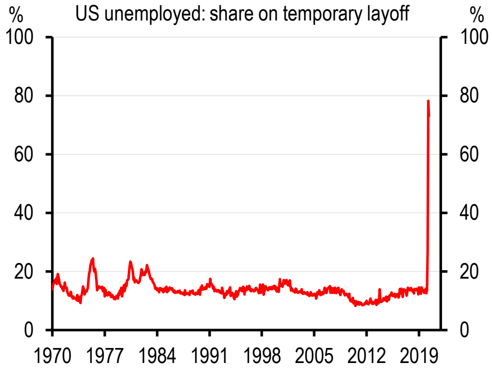
	March	April	May	June	July	August	September	October	November
Government wage contribution	80% (GBP2500 monthly wage cap)						70% (GBP2187 monthly cap)	60% (GBP1875 monthly cap)	
Employer wage contribution	Zero						10%	20%	
National insurance/ Pensions	Government pays					Employer pays			
Minimum claim period	3 weeks						1 week		
Key dates	19 March: New employee cut-off*	20 April: Scheme launched	29 May: Tapering of scheme announced		Scheme closed to new entrants, part-time work possible				Scheme ends 1 November
Self-employment scheme			13 May: 80% grants launched**			August: 70% grants launched***			

Source: gov.uk *New employees hired after this date not eligible for scheme (extended from initial 28 Feb cut-off) **Grants offering up to 80% of trading profits covering three months (GBP7500 cap) ***Launch of grants offering up to 70% of trading profits covering three months (GBP6570 cap)

When temporary becomes permanent

A big part of how effective these policies are over the course of 2020 is how many workers who are either furloughed or temporarily laid off come back to work. This is by no means just a European phenomenon. In the US, more than 70% of those measured as unemployed were on temporary layoff in May. In Korea some of those who had been temporarily absent from work have started returning to work (chart 22) but, unlike in the US, these workers are not part of the unemployment statistics but are reflected in a drop in hours worked.

21. The share of temporary unemployed has risen sharply in the US…



Source: Refinitiv Datastream

22. …and in Korea some temporarily unemployed have begun returning to work

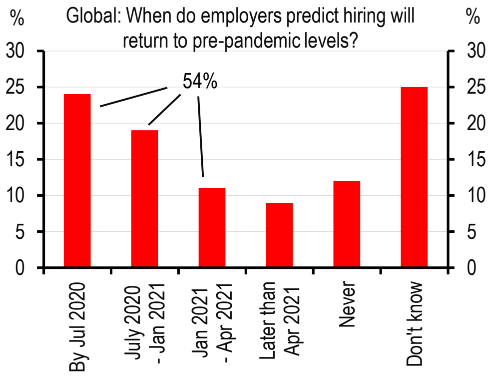
Source: CEIC, HSBC. Note: Seasonally adjusted by HSBC

The sooner these temporarily unemployed and furloughed employees come back to work, the quicker that the unemployment rate will fall. Only time will tell how much "scarring" or lasting impact there will be on the economy from the pandemic and related suppression measures, particularly in countries where the labour support schemes have been particularly generous. Unfortunately it is already clear that both companies and workers are becoming less confident about the likelihood of returning to a pre-pandemic employment position.

Surveys show early evidence of "scarring" in hiring intentions

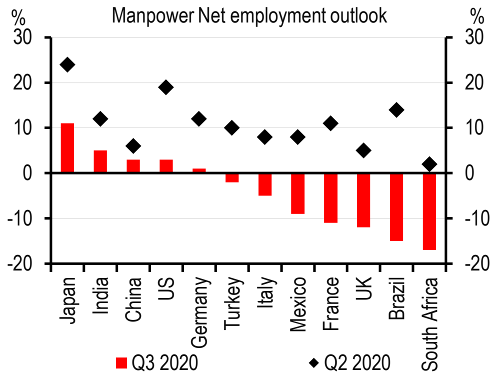
The Manpower employment outlook survey for Q3 2020[8] gives an interesting insight into employment intentions across the world. Against such an uncertain backdrop, only 54% of global employers expect to return hiring to pre-pandemic levels over the next year – creating a clear challenge to the labour market recovery. Across countries, the story varies in terms of magnitude, but hiring plans have been scaled back everywhere, though most particularly in South Africa, Brazil, the UK and France (chart 24).

23. Manpower data suggest jobs recovery could be slow…



Source: Manpower Employment Outlook Survey, Q3 2020

24. …especially in the UK, Brazil and South Africa



Source: Manpower Employment Outlook Survey Q3 2020. The % of employers anticipating an increase in headcount over the coming quarter – the % of employers expecting to decrease in headcount = Outlook Percentage.

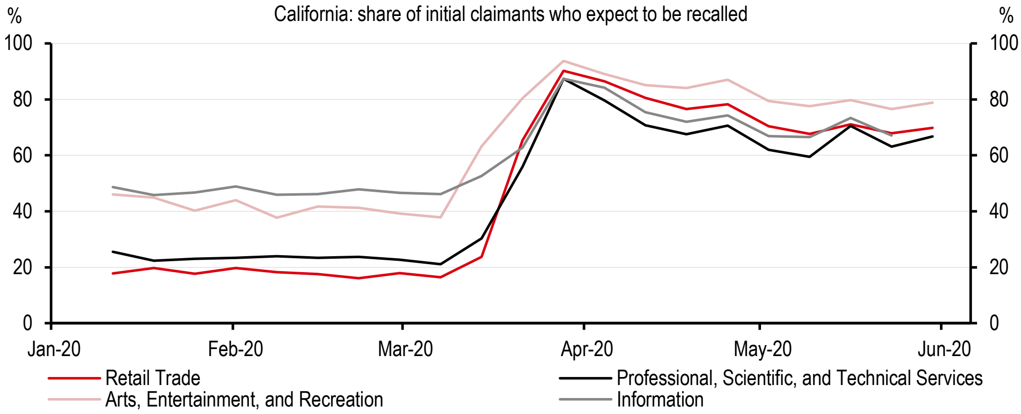
[8] ManpowerGroup Employment Outlook Survey Q3, published 9 June 2020.

The academic work suggests likewise. Research by the economists at the University of Chicago, Booth School of Business[9] suggests that in the US while some new jobs are being created as a result of the crisis, only three new hires are made for every ten layoffs caused by the shock. They also estimate that 42% of recent layoffs will result in permanent job loss.

Workers are less confident about being re-employed too…

Workers too are increasingly aware that their re-employment prospects are diminishing. In California, where the team at *www.capolicylab.org* have collected data from initial claimants (chart 25) it shows the number of people who expected to be recalled declining since April. As the downturn has become more protracted, many workers no longer expect to return to their previous employment: the aggregate share of initial claimants expecting to be recalled has fallen from more than 90% to less than 70% over a six-week period. The better news is that the number has at least stabilised recently.

25. In California, the proportion of people expecting to be recalled to work has fallen since April



Source: www.capolicylab.org/

…and new jobs may pay less in this world

The number of temporarily unemployed that return to their previous jobs will matter for wage growth in the coming years. The implications for wage growth is not the focus of this report, although some of our country economists have already started to analyse the implications for domestic wage growth (see *The UK's Job Retention Scheme*, 11 June 2020) but we can already see what has happened during previous recessions: research[10] shows that those that are eventually recalled by their employer see no loss in pay but those that become permanently unemployed see a loss in their monthly earnings of 12% in their next job.

Emerging economies cannot provide as much support

In the emerging world, many economies don't have the same ability to support incomes as we've seen in the west. We have details on the initiatives that have been rolled out across large emerging markets within the table starting on page 26, but most of these policies (outside of mainland China) have focused on hand outs and guaranteeing access to food and utilities. Without the ability for governments to backstop wages and maintain employment, we could see unemployment rates move much higher and potentially have a longer-lasting impact on growth.

[9] COVID-19 Is Also a Reallocation Shock, Jose Maria Barrero, Nick Bloom and Steven J. Davis, 5 May 2020
[10] The Economist 13 June 2020. Acute or chronic? The early 1980s may prove a useful guide to today's recovery.

The distributional impact

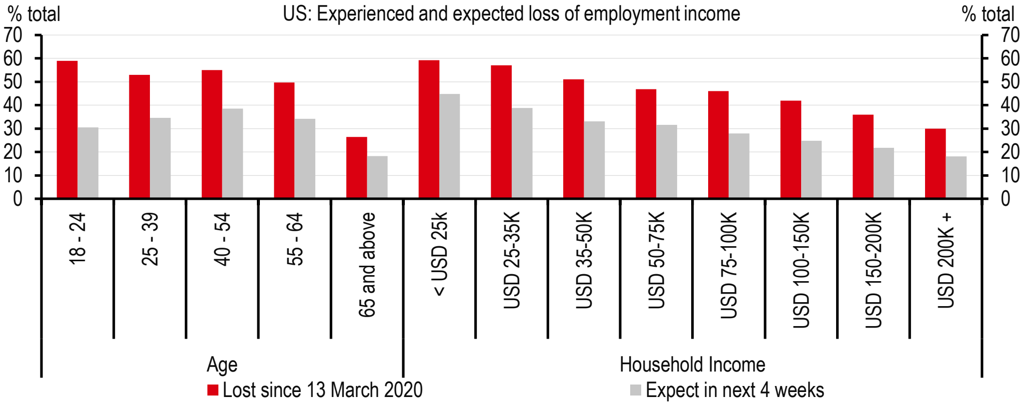
Younger, lower-income and female workers most affected so far

The impact of recessions on labour markets invariably fall disproportionately on younger, less experienced and less-skilled workers. And in the past it has usually been men that see the bigger job losses as sectors such as manufacturing and construction tend to be amongst the most affected. The young and lowest-paid also seems to apply to the current contraction but, so far, occupations where women tend to be in the majority seem to be most affected and are at risk of a more-lasting impact too. As in earlier sections, we draw in particular on the detailed data available for the US to illustrate some of the trends that are also highly likely to be occurring elsewhere.

1. Lowest income workers are seeing bigger cuts than higher-paid

In the US, the latest data from the Census Bureau's Household Pulse survey shows that, as of early June, the share of workers who have seen a loss in employment income is much higher for both low-paid and young workers. Approaching 60% of workers aged 18-24 and workers earning less than USD25,000 have seen some income loss since mid-March but only about 50% of those aged 55-64 and only about 38% of those earning more than USD100,000.

26. Young and low income workers in the US are more likely to see a drop in employment income



Source: U.S. Census Bureau Household Pulse Survey, Week 6.....Note: Data is to 9 June

This is largely due to the nature of jobs where young and low-income workers dominate in nearly every country in the world. The ILO estimates that nearly a quarter of the world's workforce are employed in retail, arts, recreation and hospitality sectors. Workers in these sectors typically earn 15-30% less than the national averages, meaning that the consumer-facing sectors most affected by this crisis are those where workers are likely to have the fewest protections, in terms of job security, and are often on flexible contracts such as those with no regular hours.

27. The most sectors most affected by lockdowns typically have lower incomes

	ILO impact on sector	Employment (mn)	Share of global employment	Wage ratio (av for sector/av total)
Education	Low	177	5.3	1.23
Health & Social work	Low	136	4.1	1.14
Public admin	Low	144	4.3	1.35
Utilities	Low	27	0.8	1.07
Agriculture	Low-Med	880	26.5	0.72
Construction	Medium	257	7.7	1.03
Financial	Medium	52	1.6	1.72
Mining	Medium	22	0.7	1.46
Arts & Rec	High	180	5.4	0.69
Transport, storage & comms	High	204	6.1	1.19
Accommodation & food	High	144	4.3	0.71
Real estate, business & admin	High	157	4.7	0.97
Manufacturing	High	463	13.9	0.95
Wholesale and retail trade	High	482	14.5	0.86

Source: ILO Monitor: COVID-19 and the world of work. Second edition

US data back this up this global assessment. With the unsurprising exception of food stores, low-wage employment sectors have seen the biggest drops in employment (chart 28).While in the UK, the Resolution Foundation finds that nearly one-third of lower-paid employees have lost jobs or been furloughed, compared to less than one-in-ten top earners[11]. The OBR even revised down significantly its expected cost of the UK's Job-Retention Scheme because the average payment was smaller than it initially expected, a direct result of the scheme having been used far more by lower-paid workers.

28. Low-wage sectors have seen the sharpest drops in employment in the US

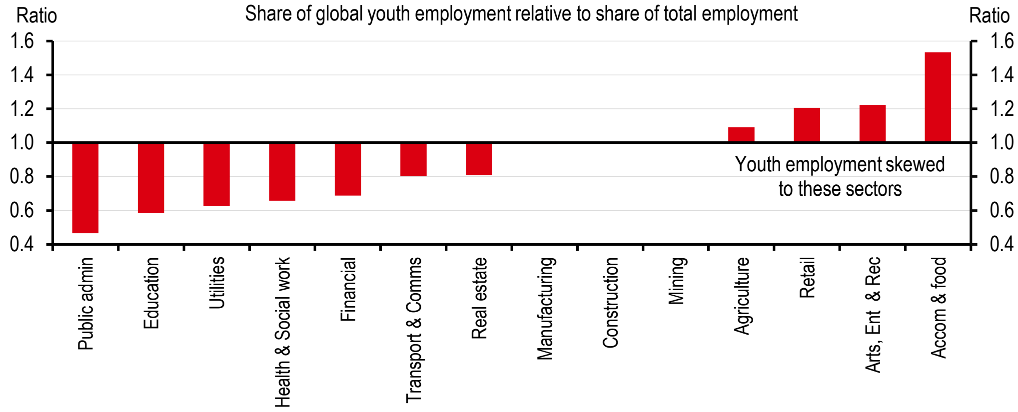
Source: HSBC, Refinitiv Datastream. Note: Values are based on the weighted (by February 2020 employment) drop in employment within sectors where average wages are as detailed.

2. Youth impact

Data from the ILO also suggests that the damage will fall most heavily on the young. Of youth (defined as aged 15-24) employment globally, 6.6% is in the accommodation & food sector, making them one and half times more likely to work in this sector than the broader population. They are also more likely to be over-represented in recreation and retail jobs – the sectors most affected by lockdowns across the world. Hence, more than 17% of young people say that they stopped working after the outbreak of COVID-19 across the world, according to the ILO. All of these proportions are even higher in higher-income countries due to the lower share of jobs in agriculture.

[11] The effects of the coronavirus crisis on workers, Flash findings from the Resolution Foundation's coronavirus survey, Resolution Foundation,16 May 2020

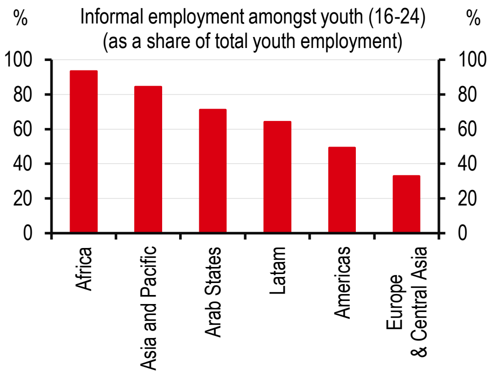
29. ILO data suggests youth employment is concentrated in the exposed sectors



Source: ILO Monitor: COVID-19 and the world of work. Fourth edition, HSBC calculations. Youth defined as 15-24 years old.

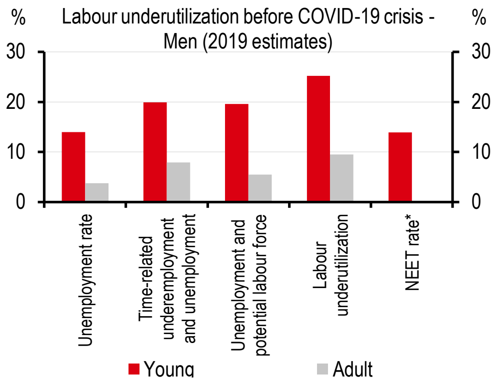
This will exacerbate many trends that were already underway. Globally, but particularly in the emerging world, significantly more young people work informally compared with the wider population, meaning less cover in terms of policies to support workers. And this group started from a position of weakness – youth unemployment rates were already higher than the general population and an estimated 13.9% of men across the world aged 16-24 were not in employment, education or training at the end of 2019.

30. Many young workers work informally



Source: ILO

31. Pre-crisis, younger workers faced an unfavourable labour market



Source: ILO. Note: *NEET is "Neither in employment nor in education or training"

New joiners to the labour force start from a weak position

And that's before we think about those yet to join the labour force. With schools closed across the world, education has either ground to a halt or been disrupted for many. As UNESCO says, "The impact however is particularly severe for the most vulnerable and marginalised boys and girls and their families"[12] while the impact will be even more severe in emerging markets where only a fraction of students have access to study space and technology. In Indonesia, only about a third of students have access to a computer for study[13]. Many training schemes have been postponed too – an ILO–UNESCO–World Bank joint survey shows that roughly 98% of technical and vocational education schools had closed, either partially or completely, around the world.

[12] Adverse consequences of school closures, UNESCO, available at: https://en.unesco.org/covid19/educationresponse/consequences
[13] Learning remotely when schools close: How well are students and schools prepared? Insights from PISA, OECD, 2020.

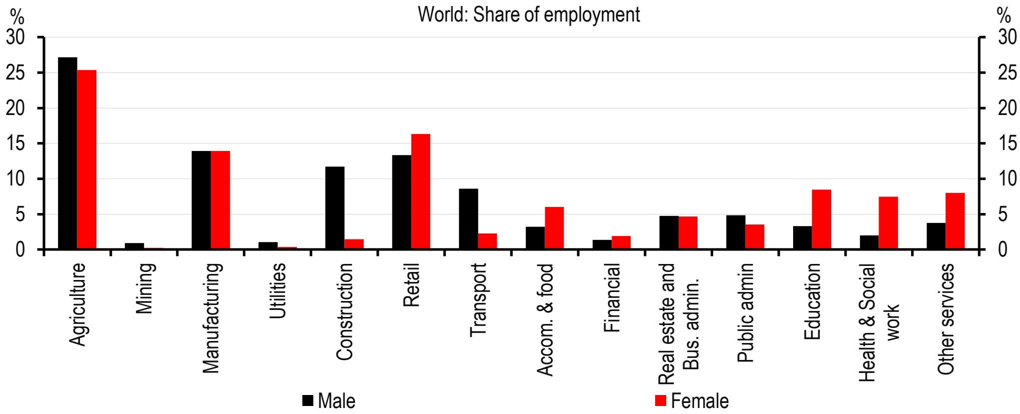
And those finishing education will start on the back foot too. Empirical studies suggest that joining the labour market during a recession can negatively affect labour market outcomes for a decade or longer. This is as a result of a failure to find a job, or ending up in a job where there is skills mismatch[14]. It is widely hoped and generally assumed that this recession will prove brief, but given its depth and strong likelihood that there will be permanent output losses as a consequence, it could be that long-lasting impacts could be experienced by students who graduate during the 2020-21 academic years, as they will have to compete for a smaller pool of jobs in the next few years[15].

3. Female impact

Sectors where female workers dominate have been worst affected

The third major distributional trend is some reversal of the reduction in gender inequality in labour markets that has been underway since the First World War. This is mainly because, unlike previous recessions, the sectors in which female workers are over-represented are being much more affected in this deep recession than in any of the recessions of the past 100 years where more traditional jobs such as manufacturing were most affected rather than services. According to the Institute for Fiscal Studies in the UK, British mothers are 1.5x more likely than fathers to have lost their jobs during lockdowns because women are disproportionately represented in the workforces of those sectors which have been forced to close – such as hotels, restaurants and retail.

32. On a global basis, it is clear which sectors have more female employment



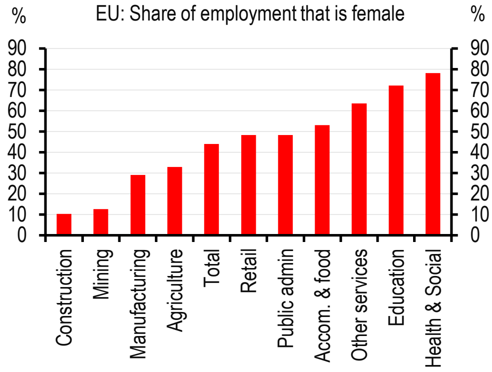
Source: ILO Stat

The numbers are even starker in the developed world, where agricultural jobs are less prevalent. In the EU, based on ILO data, we can see that women work more in sectors affected by closures or take on health risks. And this has had a clear impact on the unemployment rates in the crisis – with the female unemployment rate in the US spiking far more than the male equivalent (chart 34). The female youth unemployment rate hit 30.3% in April – although it came back down to 26.1% in May – dwarfing the rise for male youth unemployment (which peaked at 24.6% in April).

[14] H. Schwandt and T. von Wachter: "Unlucky cohorts: Estimating the long-term effects of entering the labor market in a recession in large cross-sectional data sets", in Journal of Labor Economics (2019, Vol. 37, No. S1), pp. S161–S198

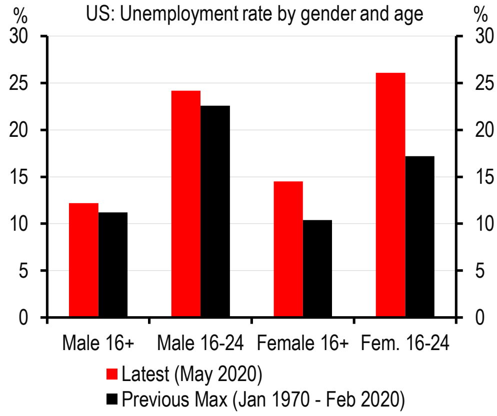
[15] L.B. Kahn: "The long-term labor market consequences of graduating from college in a bad economy", in Labour Economics (2010, Vol. 17, No. 2, April), pp. 303–316.

33. Women disproportionately work in services affected by the crisis



Source: ILO STAT

34. Female unemployment rates have spiked more than male



Source: Refinitiv Datastream

Furthermore, the gender inequality does not just relate to the explicit labour market impact. According to the OECD, women account for 90% of long-term care workers and 85% of nurse and midwives in member countries, meaning a disproportionate share of the work-related health risks of this crisis falls on women. Equally, at home, women are having to take on a disproportionate share of the unpaid work from childcare, education and domestic work as a result of closures.

Recovery of jobs into the future

Economic "scarring" will be evident in higher unemployment

There is much that we don't know about COVID-19 and the economic impact of the measures put in place in an attempt to contain it. Medical science, human behavioural shifts, and government and central bank policy responses will all influence the type of recovery that unfolds in the coming years. But we do know that the longer it takes to contain the pandemic globally, the more challenging it will be for even strong companies to keep their existing staff on their current pay while people on temporary contracts and the self-employed, who in many countries are not covered by government support, would have little prospect of a return to work. Even within our relatively optimistic baseline scenario where a gradual opening up continues (without renewed widespread lockdowns) we still incorporate a degree of "scarring": few of the countries we forecast are projected to have regained their end-2019 level of GDP even by the end of 2021, and unemployment rates appear set to remain well above their pre-pandemic level.

Pandemic may accelerate some trends already underway

We have discussed some of the sector-specific pandemic-related effects above and only time will tell how quickly consumer demand for certain goods and services returns. But we should also be aware that some of these likely shifts in income and behaviour will merely accelerate trends that were already underway pre-pandemic. Some traditional jobs will continue to disappear and even some of the more recent jobs may become fewer too. If history is any guide though, some entirely new occupations will take up some of the slack.

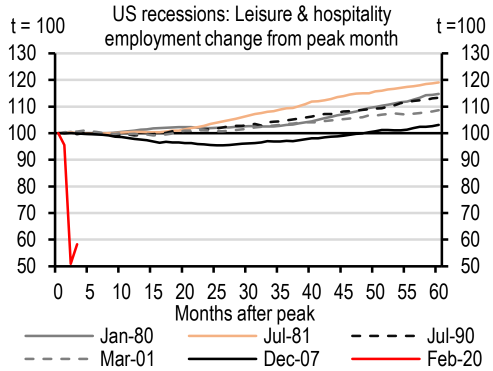
1. Tech becomes commonplace. Jump in online shopping persists
Even before this crisis, retail jobs were at risk, with the steady shift to online shopping and consumption of digital rather than physical products. Many who may not have been as willing or able to shop online historically have had to adapt quickly – meaning that the prevalence of online shopping could continue to rise. In the UK in April, total retail sales were down 19% y-o-y, but online retail sales were up 23%. This aggressive shift is unlikely to reverse quickly. That means that the large volume of jobs in retail stores across the world could be at risk for the foreseeable future, and many will not return once lockdowns ease.

There will be some jobs created as online sales continue to make up a growing share of retailers' revenues. Delivery drivers and packaging companies, for instance, should see a more sustained increase in demand. The net impact on jobs could still be negative as online retail is typically far less labour-intensive than in-store retail[16] but the flip-side would be higher productivity in the retail sector.

35. How many retail jobs will return?

Source: Refinitiv Datastream, HSBC

36. The leisure sector may struggle to get back all the lost jobs quickly



Source: Refinitiv Datastream, HSBC

2. Spending habits change. Lingering fears curb spending on travel, leisure and offices

It already seems clear that some consumer habits could change either permanently or persistently in response to the COVID-19 outbreak. Even setting aside the risk of a second wave of infections, the risk is that many consumers do not return to bars and restaurants with the same frequency as pre-pandemic, while some industries such as professional sports, concerts, conferences and international travel will take even longer to return to normality. This implies that the rebound in leisure and hospitality jobs may be harder to come by this time around than was the case in previous recessions (chart 36).

Demand for some services could be persistently lower…

Some sectors could be adversely affected longer-term if this crisis causes some broader changes in behaviour. If more people work from home entirely or more frequently (see: *Leaving the city*? 28 May 2020), then we could see a drop in demand for businesses that rely on commuters or cleaning offices. We could even see fewer people frequent restaurants having become accustomed to cooking for themselves in recent months, or become less likely to travel to visit family as regularly having made the most of video calling. Such trends may not apply to the majority but even some drop off could affect the number of jobs related to these activities.

…as might willingness to do some jobs

While these are all mainly relating to job demand, there could also be meaningful shifts in labour supply for certain occupations. For instance an appreciation of the greater risks associated with jobs within the health service, policing, or dentistry could potentially deter some people from training for these roles. Equally, within lower-skill jobs, the appeal of supermarket work versus working in a restaurant may have diminished as a result of this pandemic due to the greater health risks. This could mean a shortage of labour supply in these sectors. Moreover, many of these sectors have tended to be reliant on immigration workers, the number of which could be reduced by the more nationalist move towards self-sufficiency that has been evident in some countries as well as possible lasting COVID-19-related restrictions.

[16] How the Growth of E-Commerce Is Shifting Retail Jobs, New York Times, 6 July 2017

3. Automation

The influence of the pandemic on the future pace of automation could be a mixed bag for future labour demand and for productivity. As we have written about many times in the past (see, for instance, *The Wage Conundrum*, 22 June 2017, the poor productivity performance of the advanced economies since the global financial crisis is at least partly explained by a lack of "capital deepening" – in other words a lack of investment across the board: it was a job-rich but investment- and productivity-poor expansion.

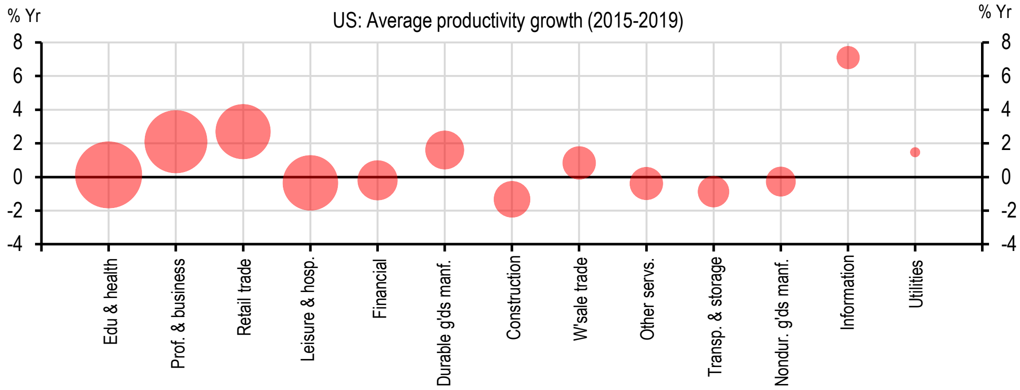
Even though investment intentions have fallen back…

Inevitably, given the current backdrop of collapsing demand, plummeting profits and heightened uncertainty, surveys suggest investment intentions are being scaled back everywhere which would appear to suggest few view the pandemic as a catalyst for higher spending on automation and other areas of technological advance. But there are reasons why some sectors at least could now start to invest more in technology in response to some of the social-distancing challenges posed by the pandemic but also a realisation that certain services can be provided as effectively and more efficiently online.

…the pandemic may accelerate some areas of automation…

The medical and healthcare sector was already starting to utilise the latest technological advances in computer and robot-aided surgery but the degree of automation could increase, or at least face-to-face contact could become much less commonplace. The use of "telemedicine" has already seen a dramatic rise in the past few months out of necessity as doctors' surgeries have operated a telephone triage service and many offering online or phone consultations. Education is another key sector where productivity growth has been persistently weak (chart 37) but where dramatically improved access to online services could be transformational.

37. Increased automation could mean higher productivity in some sectors



Source: Refinitiv Datastream. Note: Bubble size indicates the share of employment where larger bubbles mean more employees

Even the manufacturing and agricultural sectors could see greater investment in automation so it would be easier for workers to be socially distanced as well as to protect against any drop-off in seasonal workers. Given the resurfacing of global trade tensions and re-shoring of certain areas manufacturing such as medical and high-tech products, we could some of the jobs that are removed from emerging economies being replaced by robots in the likes of the US but also Europe.

…and some areas of productivity

Hence, in some sectors at least, such automation could see productivity rise more quickly than pre-pandemic but the long-term impact on unemployment is hard to forecast. In some countries there will be a degree of "creative destruction". Remaining businesses and new firms could start to rebuild and only hire workers they need. But the broader impact on growth potential will depend on how many new jobs are created and how many become permanently unemployed. The policies delivered will play a key role.

The need for targeted policy

Initial policy response needed to be as broad as possible…

Support policies when first implemented in response to the suppression measures imposed by governments needed to be economy wide. Some workers inevitably "fall through the cracks" in the sense that they do not qualify for support[17] but generally in the most advanced economies the policies have covered pretty much all companies in all sectors. These will need to be scaled back sooner or later and in some countries the roadmap has already been set out. The process by which the UK government plans to phase out the income provided under the UK's job furloughing scheme by November has already been unveiled: 16 June was, in theory, the last day big employers could give staff 45 days' notice of redundancy before they resume payroll taxes in August.

…but many will not be returning to previous jobs

Beyond the phasing out of the existing measures, the subsequent round of policy support beyond these crisis responses will need to be more flexible and targeted. Not all of the pre-pandemic companies will exist post pandemic. Some businesses were potentially never really viable beforehand and some have become less viable in a world where consumers are more alert to the risks. Some workers will eventually have to seek new jobs to replace the ones that will disappear.

Labour market reallocation

Some new jobs are already being created

Some labour market reallocation is already underway – in our global economics quarterly (Shockdown) at the end of March, we highlighted many of the companies that have announced large numbers of new hires since the outbreak of COVID-19 (table 38). Unsurprisingly many of these are in supermarkets or delivery services for fast food outlets as well as home improvement chains and even in types of healthcare. Some will no doubt be reversed but some will be permanent. We can't yet assess what that mix will be as it much depends on how long the pandemic-induced shifts in demand persist.

Some of the new jobs that emerge could relate directly to concerns about disease transmission, spurring the provision of new products and services. Driverless taxis that automatically disinfect interior spaces after each passenger trip is but one possibility[18] but businesses in a range of sectors could respond swiftly to heightened customer concerns about face-to-face interactions.

Will debt-laden governments allow "green jobs" to grow?

One potential area of new jobs is in the green economy. Few would deny that there is a huge amount of work that needs to be done to reduce global carbon emissions so government measures to support R&D and incentivise investment in this area could create new jobs. The question is whether heavily-indebted governments will opt to prioritise this area. Other areas are not so much new jobs as the return of some old jobs including some jobs that were previously undertaken by immigrant workers, especially if there are fewer in some countries in the coming years.

38. Some firms and sectors are creating more jobs

Firm	Location	Details
Instacart	North America	300,000 Full-service shoppers hired, 250,000 more planned
Amazon	US	175,000 jobs temporarily in March/April, aiming to make 70% permanent
	India	50,000 jobs
Walmart	US	235,000 jobs
Cleaning jobs	UK	Job adverts up 13%
Contact tracers	UK	18,000 jobs available
	Germany	20,000 jobs created
Online Tutoring Services	Global	With schools closed, tutoring firms have expanded their offering
PWC, EY, KPMG and Deloitte	Global	Resuming hiring of auditors, consultants and business analysts. Increased demand for digital consultants, data scientists and cyber-security consultants

Source: eFinancial Careers, CNN, Company websites. Note: This list is not exhaustive.

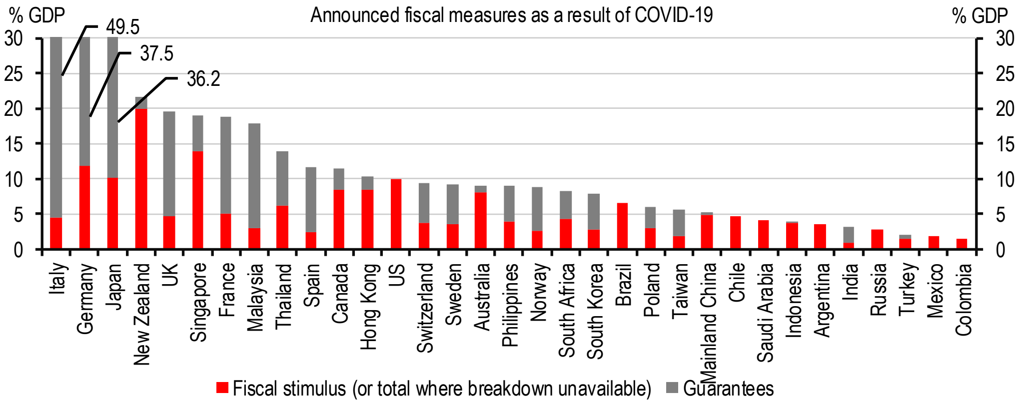
[17] More than 1m locked out of UK coronavirus support schemes FT story on report by UK Treasury Select Committee
[18] COVID-19 Is Also a Reallocation Shock, Jose Maria Barrero, Nicholas Bloom and Stephen J Davis NBER Working Paper May 2020

Europe has been more willing and able to support labour incomes for longer…

Policy could delay reallocation…

In economies which have committed to extending short shift schemes for many more months and even years, the pace of this labour reallocation is likely to be slower. This should imply less short term hit to incomes and consumer spending and should help to limit the rise in income inequality given that the impact of recessions is typically regressive. Such policies could also mean fewer job cuts by multinational companies if they are more inclined to protect jobs in those countries where government support remains in place. Indeed in an interview in the FT[19], the CEO of Airbus warned that its UK employees face "more permanent" job cuts than counterparts in France or Germany, given that France and Germany are both planning to maintain wage subsidy schemes for up to two years. Such generous schemes are not even an option politically or economically, for some countries, particularly in the emerging world where the scale of fiscal support measures in response to the pandemic has been much lower than in the advanced economies (chart 39).

39. Advanced economies are unleashing more fiscal support than the emerging world



Source: Official national sources, HSBC

…but they won't be able to save all jobs

But, over the medium to long term, such extended periods of support could potentially have a more negative impact on productivity and future potential growth. Job retention schemes slow down people's return to work especially if companies choose to keep them on short-shifts or furloughed for a long time as they struggle to get back to pre-pandemic levels of activity. Some firms may never get there at all. Hence, for governments, such schemes may just be an expensive way of transitioning workers to unemployment and delay labour market reallocation.

…or help to facilitate it

As with all government policy, it will all come down to political preferences but one way to encourage faster reallocation of labour is to try to ensure that the next round of financial assistance is provided to companies with a greater chance of survival or with start-up potential. That is easier said than done but requiring companies to pay a larger share of the income of short-shift or furloughed workers could reduce the likelihood of fundamentally weak companies seeking such assistance simply because it is cost free.

Training and re-skilling needs to come next

Training is the other area where governments can play a key role in ensuring that workers are re-skilled for the new jobs if there are unable to return to their pre-pandemic ones. And while governments around the world are all seeing their public debt stocks surge some studies suggest there can be long-term benefits from training if companies and governments work in tandem and design appropriate programmes[20].

[19] Financial Times 12 June 2020. Airbus warns more risk to jobs in UK than in France and Germany.
[20] Towards a reskilling revolution, World Economic Forum, January 2019.

As with the current labour support schemes, reskilling can be expensive. The World Economic Forum (WEF) suggests that the cost of reskilling displaced workers is roughly USD24,800 per worker. This figure is based on the jobs that would have been lost as a result of technological change, but the need has been accelerated as a result of the pandemic. The WEF estimates that 25% of workers could be reskilled by firms to do other jobs within the organisation at a net saving. For other workers, firms may need to be subsidised to pursue on-the-job training or governments will have to take a bigger role. This may be possible – the same study suggests that the US government could pay for 77% of workers, who need to be, to be reskilled (at a cost of USD19.9bn) and, in theory, see a positive return in terms of higher tax takes and lower welfare benefit payments. If many jobs don't come back as a result of the pandemic, the maths may swing more in the favour of reskilling quickly, given the economic damage that could be caused by structurally higher unemployment for a longer period of time.

Some countries have already announced new funding to training. For instance, in Sweden the number of higher education opportunities is being expanded, with more places on summer courses and foundation years so that unemployed people have the opportunity to enter into further education and training. Funding is being made available for free internet-based education to allow those made unemployed to begin learning, and funding is also being increased for regional vocational training.

Conclusion

Unemployment rates have risen sharply in most countries in the world over the past few months, but to varying degrees – more in the US, Canada and some emerging economies than in Europe and much of Asia. We have discussed the various reasons why unemployment rates are a misleading indicator of labour market conditions during the current pandemic, particularly reflecting the different scale and type of policy measures but also the different classification of workers who are considered to be temporarily unemployed. As with many of the enormous measurement issues the statisticians are currently grappling with, the labour market data presents challenges and it seems likely that much of the data that we are all currently monitoring will eventually be revised significantly. In a few years' time, it may start to make more sense. Let's hope so as "slack" in the labour market tends to be very important for central banks when they are thinking about inflation. Clearly inflation is not the most pressing problem currently but that could change in the coming years.

More immediately it is government policy that needs to evolve. In many countries the initial policy response involved blanket-type economy-wide measures designed to build a bridge to a post-pandemic world. While our forecasts point to an uneven but continued recovery, our projections imply that most countries are unlikely to be able to prevent unemployment from ending next year much higher than before the pandemic. Policy responses will need to involve more targeted measures. Workers will have to move into new jobs to replace the ones that will disappear and political choices will have to be made. In Europe the willingness to keep people on short-shift schemes for as long as it takes will support labour incomes and help to sustain consumer demand. It should also likely limit the rise in income inequality but it also risks a much lower rate of labour reallocation which could permanently lower potential growth.

Key labour market policy measures announced by country

	Support to those losing jobs or self-employ't income	Helping firms to adjust working time & preserve jobs
OECD countries		
Australia	◆ Temporary expansion of eligibility for income support payments and the establishment of a new, time-limited Coronavirus supplement to be paid at a rate of AUD550 per fortnight for the next six months. This will be paid to both existing and new recipients of various government benefits. ◆ Social security and veteran income support recipients and eligible concession card holders will receive two AUD750 one-off payments (one paid in April and the second in July).	◆ Wage subsidy to businesses (AUD70bn or 3½% of GDP) to encourage them to keep workers in jobs. A "JobKeeper Payment" of AUD1,500 per fortnight per eligible employee will be paid to the business under the condition that every eligible employee receives at least AUD1,500 per fortnight from the business. ◆ Eligible businesses are those with a turnover of less than AUD1bn that can demonstrate a 30% decline in turnover relative to a comparable month one year ago (firms with turnover of greater than AUD1bn must demonstrate at least a 50% reduction in turnover). ◆ Under a separate scheme, small and medium sized businesses will receive AUD20,000-AUD100,000 in cashflow support, with payments dependent on number of employees.
Canada	◆ Federal government will provide workers who lose income because of the COVID-19 pandemic CAD2,000 a month for the next four months under the Canada Emergency Response Benefit (CERB). ◆ Students and recent graduates who are not eligible for CERB or Employment Insurance and cannot work can access CAD1,250 a month from May to August under Canada Emergency Student Benefit (CESB). ◆ Additional emergency support benefit for self-employed and part-time workers who do not qualify for Employment Insurance. ◆ Temporary Increase to the Goods and Services Tax Credit (GSTC) for more than 12 million low- and modest-income families through a one-time special payment in May (average boost will be close to CAD400 for single individuals and close to CAD600 for couples). Will deliver almost CAD5.5bn in total extra support.	◆ Government of Canada's COVID-19 Economic Response Plan, will provide allow the extension of maximum possible length of work-sharing agreements from 38 to 76 weeks. ◆ A Canada Emergency Wage Subsidy (CAD40bn, 2.1% of GDP) will be available to eligible firms who have experienced a 30% drop in revenue and will cover 75% of wage costs up to a ceiling for up to 12 weeks. The measures allow for eligible employers to retain skilled employees and workers to remain employed during the temporary downturn in business due to COVID-19. ◆ The federal government has also announced CAD4.8bn in aid to specific sectors to offset the impact of COVID-19.
Chile	◆ A payment of CLP100,000 (around USD120) per family to two million people who receive the Single Family Grant (SUF), aimed at the 60% most vulnerable people in Chile. ◆ On 8 April, the government announced a plan involving resources for an additional USD2bn to support roughly 2.6m informal workers. ◆ 2.5m food baskets will be distributed to families most in need	◆ The unemployment insurance fund can also be used to compensate the reduction in earnings due to reduced working hours.
Colombia	◆ Additional cash payment to beneficiaries of existing schemes, including 2.5m poor households, 204,000 young people and 1.5m seniors ◆ One-time transfer of COP160,000 to 3m vulnerable households that are self-employed or work in the informal sector and are not covered by existing social benefits ◆ Delivery of a food basket to vulnerable families; free access to water for over 1 million people who lost access because they did not pay their bills and vulnerable households can defer payments for public services (for 36 months)	

Key labour market policy measures announced by country

	Support to those losing jobs or self-employ't income	Helping firms to adjust working time & preserve jobs
France	◆ Creation of a solidarity fund for small companies, with a turnover < EUR1m), self-employed workers and micro entrepreneurs experiencing a very sharp drop in turnover. ◆ Unemployed people will continue receiving their benefits and the confinement period will not be counted in the calculations of unemployment benefit rights. ◆ Temporary agency workers will be paid for the entire duration of their assignment. ◆ People who quit a job for another one but could not be hired for the crisis are granted exceptional access to the unemployment insurance. ◆ Craftsmen and retail traders will get a one-off tax-free payment of up to EUR1250.	◆ Extension of short-time work schemes through higher coverage of workers' payments (100% at the minimum wage and 84% of higher gross wages up to a maximum of 4.5x the minimum wage) ◆ Some changes to maximum working hours to allow essential services to work more hours if need be. ◆ Companies may also impose annual leave to all employees.
Germany	◆ Self-employed persons and freelancers will receive compensation for loss of earnings based on the profits established in the tax declaration of the previous calendar year. ◆ The ruling coalition agreed to extend the maximum unemployment benefit duration by three months for all claimants whose entitlements end between 1 May and 31 December.	◆ Eligibility for short-time work programme (Kurzarbeit) eased to 10% of workers affected by a loss of working hours (instead of one third). See: *German fiscal stimulus: Small steps forward*, 09 March 2020) ◆ Reduced hours compensation benefit will also be available to temporary/agency workers ◆ As of 22 April, the replacement rates for lost earnings in the short-time work scheme will increase from 60% to 70% for childless workers and from 67% to 77% for workers with children from the fourth month onwards if working time is at least halved. In the seventh month, payments are increased further to 80% and 87% respectively. These increases shall apply until 31 December 2020. (see: *German Labour Market : Assessing short time working schemes* 30 April 2020)
Italy	◆ A lump sum of EUR600 for the months March-May, tax exempt, for the vast majority of self-employed, seasonal workers in the tourism sector, agricultural employees, workers in performing arts and sport (with some restrictions and an increased payment to EUR1000 for some categories). ◆ A lump sum of EUR500 for the months of April and May for domestic workers. ◆ Suspension of the conditionality rules for recipients of the basic income scheme and an extension of unemployment benefits by two months if ending in March-April 2020. ◆ Emergency income to people not covered by other income support measures such as irregular workers, subject to means-testing (two lump sums of EUR400 for single households and larger for bigger ones). ◆ Reduction of households' electricity bills (for a total of EUR 600 million)	◆ Extension of the short-time work programme (Cassa Integrazione Guadagni), which pays up to 80% of the net salary of workers, to up to 18 weeks.
Japan	◆ Loans up to JPY200,000 are provided to households, who have lost income. ◆ The government will provide JPY100,000 per person to all residents of the country, but these payments have been slow to disperse. ◆ Due to the impact of the COVID-19, if business income has decreased by approximately 20% or more compared to the same period of the previous and it is difficult to pay taxes at once, the payment of income tax, corporate tax, consumption tax, etc. will be postponed for one year.	◆ The government expanded the coverage of the Employment Adjustment Subsidy by including the temporary shutdown due to COVID-19 response and eased the requirement to a 5% reduction of production for one month in order to qualify. ◆ In addition, the subsidy rate will be increased to four-fifths for SMEs and two-thirds for large enterprises, and, if the enterprise does not lay off workers, to nine-tenths for SMEs and three-quarters for large enterprises, as well as to cover non-regular workers who are not insured by employment insurance.

Key labour market policy measures announced by country

	Support to those losing jobs or self-employ't income	Helping firms to adjust working time & preserve jobs
Korea	◆ Nationwide financial support to low-income households consisting of consumption vouchers and employment protection programmes for non-regular workers and daily workers. ◆ "Emergency disaster relief payments" of KRW14.3trn to all households. All 22 million households to become recipients, with payments varying depending on household size. ◆ Providing emergency employment security subsidy of KRW500,000 a month for three months to those who have lost their jobs and are not covered by employment insurance such as small business owners, dependent self-employed and freelancers, and workers on unpaid leave in SMEs. ◆ The government will create a total of 550,000 jobs, including 100,000 digital jobs.	◆ Employment retention subsidy relaxed and raised – so businesses can claim between 66% and 90% of wages paid, depending on firm type. ◆ Expanded social security contribution relief for small businesses and low income households. ◆ Support for job security funds given to small business owners who hire low-wage workers will increase from up to KRW110,000 to KRW180,000 (from February to May 2020). ◆ Supporting a certain percentage of wage reduction (e.g., 50%) when labour and management sign an "employment maintenance agreement" including wage reduction on the premise of maintaining employment for a certain period of time. ◆ Expedite permission on overtime in businesses related to the crisis (e.g., masks and disinfection products)
Mexico	◆ Starting from 15 April, the National Institute for Workers' Housing (INFONAVIT) covers up to three months of credit payments for workers who become unemployed. This extension will continue up to six months without additional charges. ◆ The government is providing credit to domestic workers and independent workers affiliated to the Mexican Institute of Social Security (IMSS). The amount of the individual credit is of MXN25,000. The payment of the credit will only start in the fourth month and the amortization plan consists of 33 monthly payments.	◆ The Federal Government, through the development bank Nacional Financiera (Nafin), will support SMEs up to MXN36.3bn. ◆ The Government will further boost the economy by providing new financing of at least MXN 24.8 billion via other development banks.
New Zealand	◆ A COVID-19 Income Relief Payment is available for up to 12 weeks from 8 June for those who have lost their job. The payment is worth NZD490 a week for those who worked full-time and NZD250 for part-time workers. ◆ All government benefits have been permanently increased by NZD25 a week.	◆ Wage subsidies available for all employers that are significantly impacted by COVID-19 and are struggling to retain employees as a result. Total cost estimated at around NZD15bn (5% of GDP).
Norway	◆ Deferral of household wealth tax payment.	◆ Targeted sectoral support to firms affected by the crisis including rent payments to minimise costs. ◆ The government can pay wages when companies temporarily lay off workers ◆ Reduced the number of days that employers are obliged to pay salary to workers at temporary lay-offs, from 15 to 2 days

Key labour market policy measures announced by country

	Support to those losing jobs or self-employ't income	Helping firms to adjust working time & preserve jobs
Poland	◆ A cash payment up to PLN2080 (80% of minimum wage) for self-employed and workers employed under civil law contracts. The benefit is not taxed and extended to up to three months. Self-employed persons and micro-firms which experience at least 50% drop in revenues are eligible for exemption from social security contributions for three months. They will retain the right to health and social security benefits for the period of exemption from contributions.	◆ Short-term work schemes for employees will cover 40% of pay (up to the level of the national average wage in 2019) for workers of firms experiencing a monthly fall in their revenues of at least 25%. Employers will cover an additional 40%, while the worker will have to bear the remaining loss. The subsidy is provided on the condition that the employer will not make any employees redundant. ◆ For companies suspending operations due to COVID-19 the state covered 50% of the minimum wage plus social security contributions ◆ For companies operating reduced hours (max 20% reduction) the state will cover 50% of the wage cost up to 40% of the national average wage plus social security contributions (special case described above of 20% reduction) ◆ Paid leave for parents while schools are closed at 75% of gross wage, but no more than 75% of the national average wage (not specifically targeting employment but clearly effectively supporting it) ◆ On 8 April, the government launched a PLN100bn (around EUR 22 billion or 4.5% of GDP) financial lifeline to companies, to reduce incentives to lay-off workers. The scheme will consist of 3-year zero-interest loans to struggling SMEs (50% of the total), micro-enterprises (25%) and large companies (25%). About 60% of total loans will be disbursed in the form of grants (up to 75% for SMEs and micro-enterprises), provided recipients keep their employees during the loan period.
Spain	◆ Suspension of rules concerning minimum contribution periods for unemployment benefits during the crisis, including for temporary workers. Unemployment eligibility has also been extended. ◆ For the self-employed, six month moratorium on taxes and deferral March social security contributions. Own-account self-employed who have a turnover fall of at least 75% of that of the previous semester can access the same subsidy for end of activity as those closing their business. ◆ A temporary extraordinary unemployment benefit has been established for domestic employees, up to 70% of the Social Security "regulatory base" with a max of EUR950 ◆ An exceptional subsidy is introduced for workers with a temporary contract of at least two months, when their work contract expires and they do not have the minimum period required to access ordinary unemployment benefits. This allowance, of EUR430, will last for one month and can be extended.	◆ Changes in the temporary employment adjustment schemes – to be simplified, extension of the access conditions to include all workers, exemption of social contributions during the period. ◆ The 100% exemption of employer contributions to Social Security is maintained for companies affected by closures. ◆ For companies that can restart their activity, as an incentive for the return to work, the reduction in social security contributions for workers who return to work will greater. Companies that benefit from these exemptions or quota reductions must maintain jobs during the six months following the activity recovery ◆ Companies benefiting will not be able to distribute dividends during the corresponding tax year unless they return monies relating to the exemption applied to social security contributions.

Key labour market policy measures announced by country

	Support to those losing jobs or self-employ't income	Helping firms to adjust working time & preserve jobs
Sweden	◆ Temporary reinforcement of unemployment insurance: the membership terms for joining an unemployment insurance fund have been shortened from 12 to 3 months; the ceiling in the unemployment insurance fund is raised temporarily from SEK910 to SEK1,200 per day for the first 100 compensation days; and from SEK760 to SEK1,000 per day thereafter between 29 June 2020 and 3 January 2021. ◆ The ceiling for basic insurance is temporarily raised from SEK365 to SEK510 per day; the waiting period of 6 days before receiving unemployment benefits has been abolished. ◆ Self-employed will received a reduction of individual contributions as that proposed for firms. Self-employed will also be able to defer their VAT payments that otherwise would be paid during the spring, such as on 12 May.	◆ Employers' wage costs can be halved and the central government will cover a larger share of the costs. From 1 May 2020 and for three months, employers will be able to reduce their employees' working hours by up to 80% (instead of 60%) and the government will bear most of the cost. The wage costs will be reduced by over 70% (previously 50%), while workers will retain almost 90% of their original wage. Combined with the reduced employers' social security contributions, employer costs can be reduced by up to 86% per cent during May and June. ◆ Municipalities will receive grants for more summer jobs for young people and funding for green jobs. ◆ From 1 August until 30 September, the central government will compensate employers for higher sick pay costs due to the COVID-19 pandemic.
Switzerland	◆ Unemployed persons are covered by compulsory unemployment insurance with the submission of proof of job search efforts being waived. All persons entitled to benefits receive a maximum of 120 additional daily allowances. ◆ Entitlement to short-time work compensation extended to employees in fixed-term employment, temporary workers, workers on call. The Federal Council has suspended companies' co-payment for recourse to short-time work compensation. ◆ If self-employed persons suffer a loss of income due to the closure of a business or the ban on events ordered under federal law they are entitled to compensation amounting to 80% of their income and a maximum of CHF196 per day. ◆ All other self-employed persons who are only indirectly affected are entitled to compensation (80% of their income up to CHF196 per day) if their income is at least CHF10,000 per year, but does not exceed CHF90,000 per year.	◆ The administrative procedures to apply for short-time work have been eased. The waiting period to benefit is eliminated until September 30, 2020 (vs 2 days previously). Employees no longer have to reduce their overtime before they can benefit from short-time compensation and the approval period for short-time work is extended from three to six months. ◆ In addition, urgent simplifications have been made in the area of processing applications and payments for short-time work with the adoption of new provisions. ◆
Turkey	◆ A complementary budget of TRY6bn (USD900m) is earmarked for families in need. ◆ A payment scheme has been introduced by the government for those who are not eligible for unemployment insurance or for short-time work, or for those who are on unpaid leave: a monthly payment of TRY1,170 for three months.	◆ The conditions of use of the Short-Time Working Allowance have been eased: The requirement of 600 days of contribution is reduced to 450 days, and that of a service contract for the last 120 days is reduced to 60 days. ◆ The application procedure has been simplified and the criterion of "not laying off workers" has been brought for employers who want to benefit from the Programme. ◆ Compensatory working time has been increased from 2 months to 4 months in order to ensure continuity in employment.
United Kingdom	◆ The Universal Credit standard allowance increase by GBP1,000, for 12 months, as is the Working Tax Credit basic element. ◆ Self-employed people with an average trading profit of under GBP50,000 who have lost income due to Coronavirus will be able to access taxable cash grants of 80% of profits (up to a limit of GBP2,500 per month) for at least 3 months. This is equivalent to the JRS for furloughed employees. Deferral of self-assessment tax payment by 6 months.	◆ The Government introduced the Job Retention Scheme (JRS) in March. Companies and organisations can apply for a grant from HMRC to cover the wages of people who are not working due to coronavirus shutdowns, but who haven't been laid off. The Government will cover 80% of the salaries of retained workers, up to GBP2,500 per month. The JRS has been extended until late October, with companies starting to contribute towards the cost from August.

Key labour market policy measures announced by country

	Support to those losing jobs or self-employ't income	Helping firms to adjust working time & preserve jobs
United States (federal level)	◆ Direct payment of USD1200 for each adult and USD500 for children for all US residents with adjusted gross income up to USD75,000 (USD150,000 married). ◆ Unemployment insurance payments increased by USD600 per week, through July. ◆ Maximum duration for unemployment benefits extended to at least nine months for many workers. Self-employed people will be newly eligible for unemployment benefits. ◆ Additional resources have been devoted to providing food for households with low income. The Families First Coronavirus Response Act also increases Medicaid payments to states.	◆ The Paycheck Protection Programme (PPP) allows firms to receive a forgivable loan up to 2.5 times the average monthly payroll cost for 2019. To be eligible for forgiveness, at least 60% of the loan must be used for payroll. The funds can be used over a 24 week period, extended from 8 weeks on 4 June. ◆ The CARES Act includes provisions to increase the use of short-time compensation. In particular, the federal government will pay 100% of the disbursements for STC for the 26 states that already have the programs implemented. For the rest, they will pay 50% if states decide to add a new STC programs.
Non-OECD countries		
Argentina	◆ A lump sum monthly payment of ARS10,000 (USD155) provided since April, now reaching 9m individuals (IFE) ◆ Higher cash transfers to poor families. Higher food vouchers and extended to families who have not yet received them. ◆ Unemployment insurance coverage until end-August at 70% of the original benefit ◆ Credit line at 0% rate for self-employed , a complementary salary for private sector workers	◆ State payment of 50% of wages for companies affected. Job suspensions allowed with companies paying 75% of the wage until end-July. ◆ Layoffs and suspensions without fair cause have been prohibit since March through mid-July. Double severance payments for layoffs since end-2019, now extended through end-2020. ◆ Tax deadlines extended for companies suffering from the emergency. ◆ Banks have to offer a certain The access to credit with a fix rate of 24 and a grace period of 3 months to SMEs specifically for the payment of salaries
Brazil (national level)	◆ Pensioners will have an extra monthly payment, 50% in August and 50% in December. ◆ Access to Bolsa Familia (Family Allowance) extended to another 1.22m families (bringing total to 14.3m families). ◆ Informal workers registered as micro-entrepreneurs, registered for social security or on Bolsa Familia's database will receive a temporary new benefit of USD120 per month (USD240 for single mothers) provided that they are not covered by other social benefits except Bolsa Família, they earn less than half of the minimum wage per capita and taxable income in 2018 was below ~USD 5,500. Only up to 2 people can receive the benefit per household. The benefit will be paid for 3 months but may be extended. This may reach up to 20 million of Brazilians and the estimated fiscal cost is 0.6% of GDP. ◆ Low income families spending using less than 200Kwh per month, are exempt from electricity bills for 3 months.	◆ Firms can reduce working hours and pay by up to 50% while maintaining the employment link, but there is no compensation for workers for the resulting income losses. ◆ For SMEs, an emergency credit line has been opened to cover 2 months of wages for employees earning up to 2x minimum wage, under the condition that the employee is not dismissed. This is a loan over 36 months, with a grace period of 6 months, and a nominal interest rate below current inflation. Payments are directly disbursed into workers' accounts, but firms are liable for the debt. 85% of the credit risk is borne by the federal government. ◆ Emergency Benefit for Preserving Employment and Income: based on the monthly value of the unemployment insurance to which the employee would be entitled, 100% in case of work suspension and proportional in case of work reduction. The benefit will be paid regardless of fulfilling the employment requirements or wage received. Work reductions can be made by individual agreement between workers and employers.

Key labour market policy measures announced by country

	Support to those losing jobs or self-employ't income	Helping firms to adjust working time & preserve jobs
China (national level)	◆ Introduction of salary guarantees for all workers, especially those ill or in quarantine. ◆ Exemption for small-scaled taxpayers in Hubei province and reduced the VAT collection rate to 1% (currently 3%) for small taxpayers in other areas, from March 1 to May 31 2020. Exemption of a wide range of consumer services from VAT on a nationwide basis. So-called 'lifestyle services', which include medical services, catering and accommodation services, and some personal services are normally subject to VAT at 6%. The VAT exemption also applies to public transportation and express delivery services provided to residents. ◆ Introduction of guaranteed employment rights for workers residing in regions affected by the virus. ◆ For those who are still unemployed after receiving the unemployment insurance payment and are less than one year away from the legal retirement age, unemployment insurance can be paid to the legal retirement age. ◆ Unemployed persons who have not yet been employed at the end of their period of receiving unemployment insurance benefits, or insured unemployed persons who are not eligible for unemployment insurance benefits, are granted unemployment benefits for a period of six months at a rate not higher than 80 per cent of local unemployment insurance benefits.	◆ Regulations on maximum working hours were temporarily suspended in the case of producing urgently-needed equipment. ◆ SMEs (and all enterprises in Hubei Province) that do not lay off workers or have limited implementation will be refunded the full amount of unemployment insurance premiums paid in the previous year.
India (national level)	◆ Provision of 5kg of rice or wheat per person, and 1kg of pulses per household, free of cost, for the next three months. ◆ An increase of INR 2000 per worker was announced under MGNREGA, India's rural employment guarantee programme. Also, the budgetary allocation of MGNREGA was increased by INR 400bn ◆ For formal employees, the government has committed to pay employee provident fund contributions on behalf of employees and employers (12% each) for the next three months, for firms with up to 100 employees, where 90% of them are earning less than INR15,000 per month. ◆ Pending income tax to be released immediately to provide relief to 1.4 million taxpayers. ◆ The statutory provident fund contribution rate for both employer and employee is reduced to 10%. This is expected to support disposable incomes of 43 million employees. ◆ Amendments to the employee pension fund regulation to allow non-refundable advances of 75% of the amount or 3 months of wages whichever is less, from their accounts ◆ One nation, one ration card by March 2021, to enable migrant workers to access subsidised food grains anywhere in the country ◆ Special credit facility for street vendors	
Indonesia	◆ The pre-employment card was initially introduced in March as a form of support for new graduates entering the labour market, but the government is now using it as a de-facto unemployment benefit. The budget for the pre-employment card program will be raised to IDR20trn from the initial INR1trn, which will cover 5.6m laid-off workers, informal workers and micro and small business owners.	

Key labour market policy measures announced by country

	Support to those losing jobs or self-employ't income	Helping firms to adjust working time & preserve jobs
Russia	◆ For unemployed who lost their jobs due to the crisis, unemployment benefits are set at the maximum level (RUB12130 per month). ◆ One parents can receive an additional RUB3000 per month for each dependent child from 1 March to the end of June. This comes on top of a payment where children up to 3 years of age will receive an additional RUB5,000 per month for three months. ◆ Automatic extension of social benefits and entitlements over the next six months.	◆ Small and micro enterprises from the most affected sectors can take a six-month interest-free loan from the bank to pay salaries to employees. ◆ A prerequisite is to maintain the number of employees for the entire loan period or to reduce staff by no more than 10% per month. The maximum loan amount is defined as the number of employees x minimum wage x 6 months. The loan should be paid back at the end of the loan agreement or from 1 October 2020, according to the schedule. Banks can extend the loan at 4% interest rate.
Saudi Arabia		◆ Business can request monthly compensation amounting to 60% of the employee's salary for three months. ◆ On 3 May the Ministry of Human Resources and Social issued a decision allowing private sector companies to reduce salaries by up to 40% and to terminate contracts due to the economic crisis.
South Africa	◆ Covid-19 Social Relief of Distress grant of ZAR350 a month for the next 6 months will be paid to individuals who are currently unemployed and do not receive any other form of social grant or unemployment payment.	◆ The Temporary Employee/Employer Relief Scheme (TERS) is a special benefit created to provide emergency relief to employers so that they may continue to pay their employees during a temporary lay-off. The benefits under TERS are available to an employer who closes its operations due to the COVID-19 crisis for a period of three months or less and as a result are in financial distress. ◆ The benefit is capped to a maximum threshold and is calculated in terms of the income replacement rate sliding scale as provided in the Unemployment Insurance Act (from 38% for high earners up to 60% for low earners). ZAR40bn has been set aside for this scheme. ◆ There is also a tax subsidy to employers of up to ZAR750 per month for four months for those private sector employees earning below ZAR6500. This is an expansion to the existing Employment Tax Incentive that is available for younger workers aged 18-29 years. Projected to help over 4 million workers with an estimated revenue cost of ZAR15bn

Source: OECD, National Governments, HSBC

Disclosure appendix

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2 All market data included in this report are dated as at close 17 June 2020, unless a different date and/or a specific time of day is indicated in the report.

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