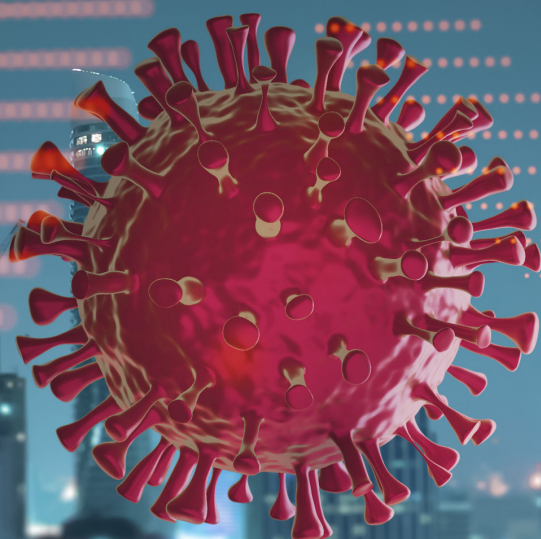


# ITUC ECONOMIC BRIEFING



November 2020



ITUC CSI IGB

International Trade Union Confederation



## THE GLOBAL PANDEMIC

The Covid 19 Pandemic has resulted the deepest peacetime crisis in modern history. The health crisis has spread to become an economic and social crisis with political consequences that will continue to unfold. As of the end of October 2020 it is estimated that more than 1.1 million people have died from Covid 19, with 41 million recorded infections. The lives of millions more have been and are likely to be lost due to secondary health impacts and the livelihood and economic prospects of a generation may be blighted. The attainment of the Sustainable Development Goals is at risk.

At a global level, the spread of the pandemic shows no signs of abating. There is uncertainty about its medium and long-term economic effects due to the uncertainty of the health situation. Certain immediate effects are however evident. It has led to a global recession of unprecedented scale. Its impact is most severely felt on those who are often least able to manage – the poor, the young, the old, migrants, those in insecure work and without health or income protection. It is also clear that government policy and effectiveness in the management of the crisis and beyond is under scrutiny. As a global crisis, multinational cooperation, which has been painfully lacking in the first months of the pandemic will be ever more essential in the future.

## THE ECONOMIC SHOCK AND THE GOVERNMENT RESPONSE IN THE "FIRST WAVE" OF INFECTION

In most countries the explosion of infection rates in the first quarter of 2020 was followed by forced closures of large parts of economies and the “lockdown” of populations. This resulted in falls of global industrial production of 15 % at a speed much faster than either the Great Depression of the 1930s or in the Great Recession following the financial crisis of 2009<sup>1</sup>.

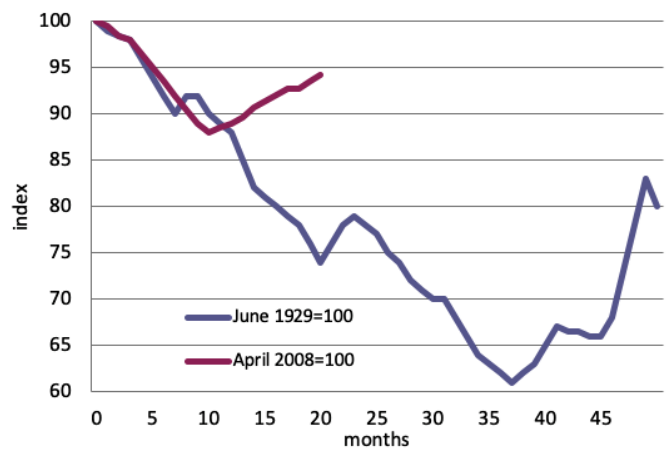
1 See Paul De Grauwe, Yuemei ji “A tale of three recessions” BNE 26 September 2020: <https://voxeu.org/article/tale-three-depressions>

2 Farboodi, Jarosch & Shimer (2020) <https://www.nber.org/papers/w27059>; Courtemanche, et.al. (2020) <https://www.healthaffairs.org/doi/full/10.1377/hlthaff.2020.00608>; Thunström, et. al. (2020) <https://www.cambridge.org/core/journals/journal-of-benefit-cost-analysis/article/benefits-and-costs-of-using-social-distancing-to-flat-ten-the-curve-for-covid19/204BD93C135EC727FAEFC62E3BE72C3B> and Greenstone and Nigam (2020) [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3561244](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3561244)

3 [https://read.oecd-ilibrary.org/economics/oecd-economic-outlook/volume-2020/issue-1\\_34ffc900-en#page3](https://read.oecd-ilibrary.org/economics/oecd-economic-outlook/volume-2020/issue-1_34ffc900-en#page3)

4 <https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020>

Figure 1: Index of world industrial production: Great Depression vs Great Recession



Source: Paul De Grauwe, Yuemei ji “A tale of three recessions” BNE 26 September 2020

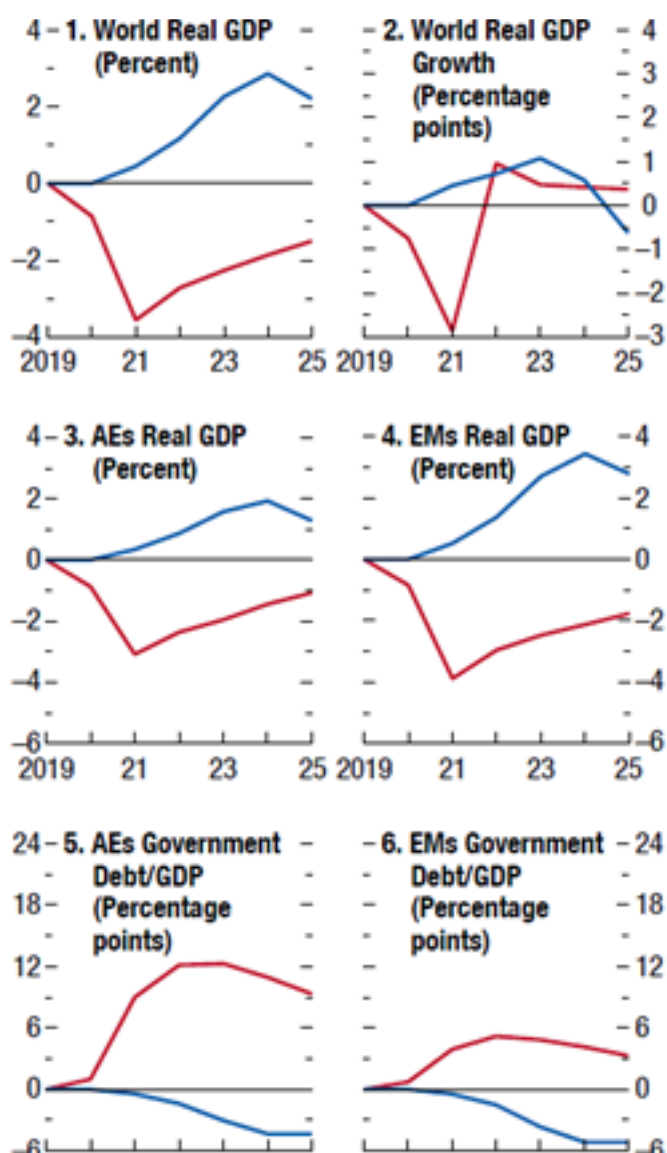
There are various estimates of what the disease potentially costs the economy, providing a range of possible savings from different models based on the steps taken to social distance and prevent greater spread of the disease. In the U.S. these estimates suggest savings from around \$5 to \$8 trillion saved by social distancing actions.<sup>2</sup>

An even more catastrophic situation was averted by state support to workers and businesses on an unprecedented scale, amounting to 12 trillion Dollars equivalent to 12 % of global GDP. Central banks purchased much of this government debt. The rationale for this fiscal support through worker retention schemes to support incomes of workers hit by temporary closures and loan guarantees and direct aid to firms has been as much economic as social. It has been designed to avoid the destruction of firms and production capacity in what was expected to be a temporary shut-down of supply. When lockdown restrictions eased in many countries, industrial production recovered by 10% in the second quarter of 2020 – faster than expected - giving hope that the recovery might be “V” shaped.

The central OECD<sup>3</sup> and IMF<sup>4</sup> forecasts of September – October 2020 reflected this dramatic yet relatively “optimistic” scenario – with global GDP falling

by 4.5% in 2020 but growing by 5% in 2021. These forecasts have been overtaken by events. Many European countries have again introduced generalised lockdown restrictions in late October 2020. Leading economic indicators<sup>5</sup>, such as job postings by employers and proxy measures of consumer spending point to a stalling of the recovery. The outcome for economic activity and employment is now likely to be closer to the “downside scenario” put forward in the IMF World Economic Outlook and the “double hit scenario” of the OECD Employment Outlook of July 2020. Global GDP would be nearly 4% lower than the IMF baseline scenario – i.e. near zero growth in 2021 after the falls of 2020.

**Figure 2: Alternative evolutions in the Fight against the COVID-19 Virus (deviations from baseline)**



Source: IMF World Economic Outlook October 2020 (based on IMF and OECD model simulations)

## VARIATIONS IN IMPACT AND RESPONSE BETWEEN COUNTRIES

The industrialised countries have in the main been able to finance crisis support measures by borrowing. As a result, the growth in sovereign debt has been rapid and now stands at 120 % of GDP in the OECD countries and globally at over 100% of GDP – approaching the levels at the end of the Second World War. So far central banks have been ready to finance this. They have purchased half the new government debt and financial markets have been ready to hold the remainder. Unlike the financial crisis and great recession of 2009 mainstream economic bodies such as the IMF and OECD have explicitly called for fiscal expansion and the toleration of higher levels of public debt.

The ability to borrow and print money has not been true for middle income and developing countries. The International Labour Organisation has shown that the fiscal stimulus has been very unevenly distributed worldwide when compared to the scale of labour market disruptions. Ninety per cent of the fiscal stimulus in response to the crisis has been in high income countries, where stimulus measures “equated to 10.1 per cent of total working hours, while estimated working-hour losses averaged 9.4 per cent. In low-income countries, the stimulus is equivalent to only 1.2 per cent of total working hours, while working-hour losses averaged 9 per cent”<sup>6</sup>. The ILO has estimated a “fiscal stimulus gap” of US\$982 billion in low-income and lower-middle-income countries<sup>7</sup>. This gap represents the amount of resources that these countries would need to match the average level of stimulus relative to employment impact in high income countries. The IMF has moreover acknowledged that many countries have had limited room for manoeuvre, with high debt burdens hampering the fiscal policy response, especially in emerging market and low income countries, as illustrated in the chart below<sup>8</sup>.

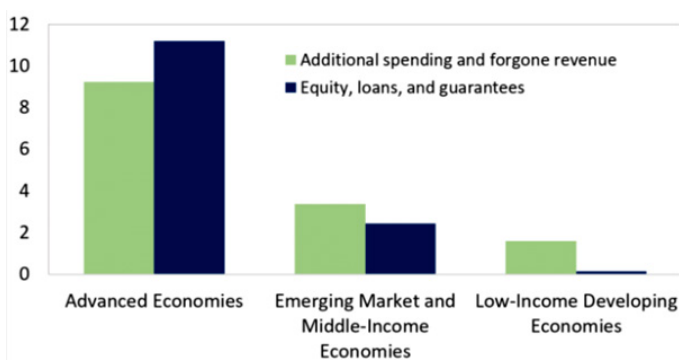
<sup>5</sup> <https://www.ft.com/content/272354f2-f970-4ae4-a8ae-848c4baf8f4a>

<sup>6</sup> ILO Director General's statement to IMF Annual Meeting Oct 2020

<sup>7</sup> [https://www.ilo.org/global/topics/coronavirus/impacts-and-responses/WCMS\\_755910/lang-en/index.htm](https://www.ilo.org/global/topics/coronavirus/impacts-and-responses/WCMS_755910/lang-en/index.htm)

<sup>8</sup> IMF (2020) Fiscal Policy for an Unprecedented Crisis: <https://blogs.imf.org/2020/10/14/fiscal-policy-for-an-unprecedented-crisis/>

**Figure 3: Fiscal policy responses by governments to the COVID-19 crisis**



Source: IMF (2020) Fiscal Policy for an Unprecedented Crisis

There have also been variations in the economic impact of the pandemic on countries within different categories. This reflects the speed and effectiveness of government actions to limit the spread of the virus, as well as structural differences. There is a growing consensus that countries that acted quickly to contain the virus spread through effective confinement followed by reopening accompanied with testing, tracing, social distancing and wearing of face masks have experienced a smaller negative economic impact than those that acted slowly and then have been forced to take action.

The clear exception to the global scenario of falling production in 2020 are some of the East Asian economies and notably China. After initially trying to suppress news of the pandemic that began in Wuhan, the containment measures introduced by the Chinese state were drastic but subsequently able to be relaxed and the recovery in production has been rapid with growth of 1.9% forecast for 2020 and 8.5% in 2021. China is the only major economy likely to have positive economic growth this year. However, the recovery may still prove to be fragile as the time that private companies in China are waiting for payments due is double that in 2015<sup>9</sup>

There have also been differences between countries and regions that have yet to be fully understood. In sub-Saharan Africa, the greatest suffering has been caused by the economic impact of the pandemic, particularly on those in the informal economy, rather than the immediate health effects. Whereas Latin America has become an epicentre of the pandemic with huge loss of life in some regions.

<sup>9</sup> <https://www.ft.com/content/0b831a12-6101-4420-8629-8d73f1dded91>

<sup>10</sup> 8.7 million American workers were paid but did not work in May, in October this was down to 1.7 million in October <https://www.bls.gov/cps/effects-of-the-coronavirus-covid-19-pandemic.htm>

<sup>11</sup> Andrew Watt <https://www.socialeurope.eu/eu-labour-markets-in-the-pandemic-unemployment-only-part-of-the-story>

<sup>12</sup> ILO Monitor: COVID-19 and the world of work: 6th Edition: [https://www.ilo.org/global/topics/coronavirus/impacts-and-responses/WCMS\\_755910/lang-en/index.htm](https://www.ilo.org/global/topics/coronavirus/impacts-and-responses/WCMS_755910/lang-en/index.htm)

## THE EMPLOYMENT CRISIS

The economic shock has mutated into an employment crisis. In the initial phases of the pandemic the shutdown in economic activity was reflected in differing impacts on unemployment in different regions. The OECD has noted that majority of European countries realised the importance of keeping workforces together through job retention schemes and the underwriting of loans for firms. As a result, measured unemployment rates in Europe in the second quarter of 2020 were only slightly above pre-pandemic levels. By contrast unemployment in the United States initially exploded to an estimated national unemployment rate of approaching 20 % in March compared to 3.5% in February and were announced as 6.9% in October. The economic stimulus, and augmented income transfers to the unemployed (normal benefits were boosted by \$600 a week) as well as furlough schemes, that was passed by Congress in March reduced unemployment rates in the second quarter, although workers in retention schemes are still classified as unemployed.<sup>10</sup>

**Figure 4: Participation in job retention schemes**



Source: OECD Employment Outlook July 2020

However, unemployment rates have not reflected the full decline in labour demand. In the Euro zone the employment rate – the proportion of the labour force in employment - decreased by 1.9 percentage points, to 66.2% in the second quarter of 2020 and actual hours worked have fallen by 20 per cent<sup>11</sup>. In the U.S., the employment rate fell from 61.2% in January to 51.3% in April and in October was back up to 57.4%; the index of aggregate hours worked fell by 19 percentage points from February to April and gained back 12.4 percentage points by October. The ILO has estimated<sup>12</sup> that globally in the second quarter of 2020 the loss in working hours was 17.3 %, - the

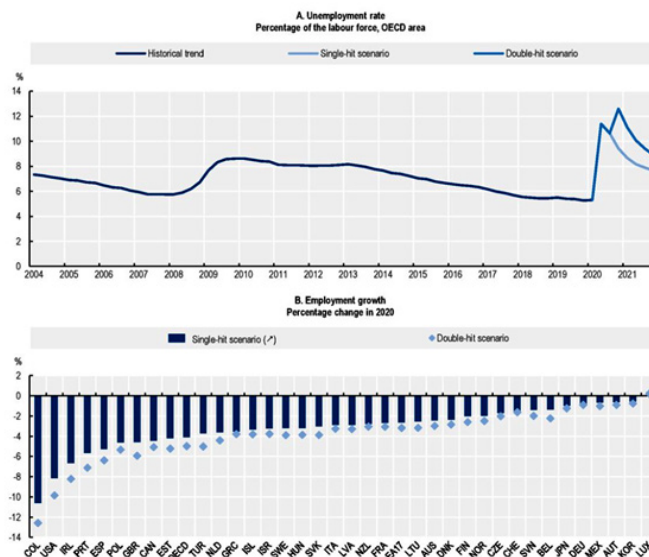
equivalent of nearly 500 million full time jobs. Lower middle-income countries saw working hours fall the most – by 23.3%.

ITUC COVID19 Job Cuts Tracker monitors job losses in some 20 countries<sup>13</sup>.

A second wave of infection has hit many countries starting in September 2020 reflecting a lagged reaction to the ease of the lockdown restrictions in June and July. By October 2020, the rate of infection, use of intensive care capacity and death rates were rising rapidly in most European countries. The United States, India and Brazil recorded the highest daily infections in early November. Many European governments reintroduced national lockdown measures in late October and early November. These have been designed to allow the continuation of work in non-service activities; schools have remained open, and as a result the impact on production will be smaller than the previous lockdown. Nevertheless, the recovery will stall requiring governments to reinstate or extend support for firms and workers.

The OECD have presented scenarios<sup>14</sup> including the impact on employment of the second wave of infections. In the absence of a second wave, the projections showed unemployment in OECD countries rising to 9.4% at the end of 2020 and falling to 7.7% over the course of 2021. In the case of a second wave before the end of the year, the OECD expects unemployment to rise to 12.6% in 2020 and 8.9% in 2021 as shown in Figure 5.

**Figure 5: Unemployment Trends and Scenarios – OECD Countries**



Source: OECD Employment Outlook 2020

There have also been significant losses in labour income due to the working hour losses identified by the ILO who estimate that globally this amounts to 10.7% (before taking account of income support measures)<sup>15</sup>. The income loss is highest among lower middle-income countries (15.1%) and least in high income countries (9.0%).

## VARIATIONS IN THE IMPACT BY SECTOR

The employment impact has also varied according to the nature of work carried out in different sectors. Physical distancing has been a central part of all efforts to contain the spread of inspect infection. One study<sup>16</sup> has found that across a selection of OECD countries before the crisis 52% of the workforce is employed in jobs which allow physical distancing, 31% of workers could potentially work from home, while the remaining 21% have to have some physical contact with others to perform their job. Broadly manufacturing has less been less dependent on physical proximity between workers and customers whereas many service sector jobs notably in retailing, arts and entertainment, restaurants, hospitality, tourism and travel have required proximity. Many countries have effectively closed these sectors during lockdowns apart from what are regarded as essential services. The ILO estimates that at global level 98% of workers reside in countries with workplace closures of some

<sup>13</sup> <https://www.ituc-csi.org/jobcutstracker>

<sup>14</sup> [https://read.oecd-ilibrary.org/employment/oecd-employment-outlook-2020\\_1686c758-en#page49](https://read.oecd-ilibrary.org/employment/oecd-employment-outlook-2020_1686c758-en#page49)

<sup>15</sup> [https://www.ilo.org/global/topics/coronavirus/impacts-and-responses/WCMS\\_755910/lang-en/index.htm](https://www.ilo.org/global/topics/coronavirus/impacts-and-responses/WCMS_755910/lang-en/index.htm)

<sup>16</sup> <https://www.bancaditalia.it/pubblicazioni/qef/2020-0569/index.html?com.dotmarketing.htmlpage.language=1>

kind. Those countries that are dependent on larger service sectors and with high informality in their economies have suffered higher economic dislocation.

Beyond forced closure, many more sectors have been affected by the collapse of consumer demand and the resulting impacts on business continuity. For products which are deemed to be non-essential this is due to the physical impossibility of purchasing goods except through online purchasing. However, beyond this the fear of physical safety by consumers has led to a reduction of consumption.

There have been large knock on effects along global supply chains where workers in sub-contracting firms have been forced to bear all the economic risk. The clearest example of this has been in the apparel sector where global brands have stopped sourcing from countries such as Bangladesh leading to untold hardship for garment workers.

There have also been knock on effects of declining demand in service sectors to parts of manufacturing. The shock in the transport and logistics and aviation sector has also led to a shock in aerospace.

The differential impact of containment measures and uncertain future prospects have led some economic commentators to talk of a “K” shaped rather than a “V” shaped recovery whereby some sectors recover or even gain from the structural shift brought about by the pandemic, but others continue to decline sharply.

## THE PANDEMIC HAS BEEN A FURTHER DRIVER OF ECONOMIC INEQUALITY

The pandemic has exposed and reinforced the growing income inequality and wide economic and social divisions that exist both within and between countries that have been apparent and growing over the past three decades.

As shown in figure 5, over past decades, the share of labour in national income has declined by on average ten percentage points of gross domestic product. Within the income share inequality has also increased. The OECD<sup>17</sup> has found that in all countries the ‘very top of the income distribution’ has gained most—indeed, in the US, where the bottom 60 per-

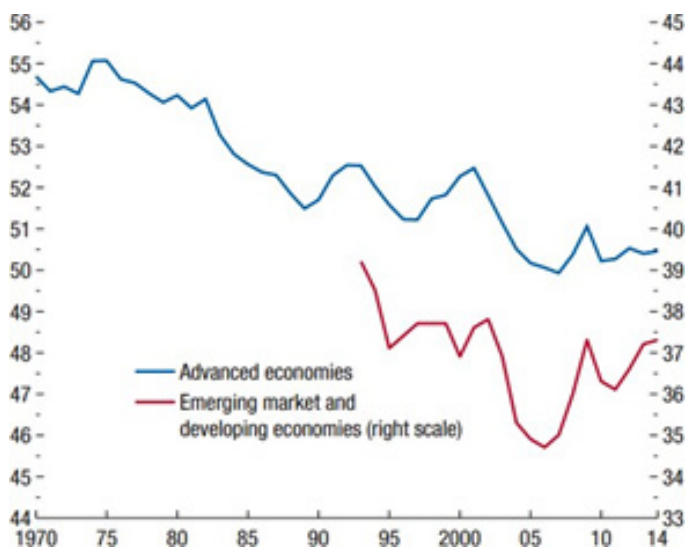
<sup>17</sup> <https://www.oecd.org/social/OECD2014-FocusOnTopIncomes.pdf>

<sup>18</sup> ILO Global Wage Report 2020/2021 (forthcoming)

<sup>19</sup> <https://www.imf.org/en/Publications/WP/Issues/2020/06/19/The-Distributional-Impact-of-Recessions-the-Global-Financial-Crisis-and-the-Pandemic-49492>

cent did not see any increase in their living standards from 1990, the top 1 per cent increased their income share from 13 per cent then to 18 per cent in 2014.

**Figure 6: The steady decline in Labour Income share over past decades**



Source: IMF (2017) Drivers of Declining Labour Share of Income

The pandemic and subsequent containment measures have had differential impacts on income groups, age groups, ethnic groups, and social groups. The ILO has also projected that low-income jobs have been disproportionately affected by job losses in the COVID-19 crisis<sup>18</sup>. Moreover, the economic prospects of young people, ethnic minorities, and women have been hardest hit in most countries. These groups are more likely to be employed in service sectors that have been most affected by closures but are also overrepresented in insecure and unprotected work. Sectors with activities that allow teleworking and so are more likely to be performed from home have seen a smaller reduction in employment. The ability to work from home is lower among low income workers who are less able to work from home than high income workers.

An IMF study<sup>19</sup> comparing the distributional impact in the United States of the Global Financial Crisis and the pandemic recession found that young and less qualified workers were hit hardest in both recessions, but women and Hispanic workers were more severely affected in the pandemic. In both recessions low income earners suffered more than top income earners. The concentration of female employment in service sectors together with the difficulty of managing childcare when schools and other facilities have been closed have resulted in a disproportional impact on women.

A study<sup>20</sup> in France found that those living in dense and cramped accommodation are infected disproportionately, whilst those in low paid vulnerable jobs are also most at risk as well as suffering most from economic hardship. A study<sup>21</sup> in the UK of the impact of what was then expected to be the ending of jobs support schemes in September 2020 found that young and ethnic minority workers were twice as likely to lose their jobs when the furlough scheme came to an end.

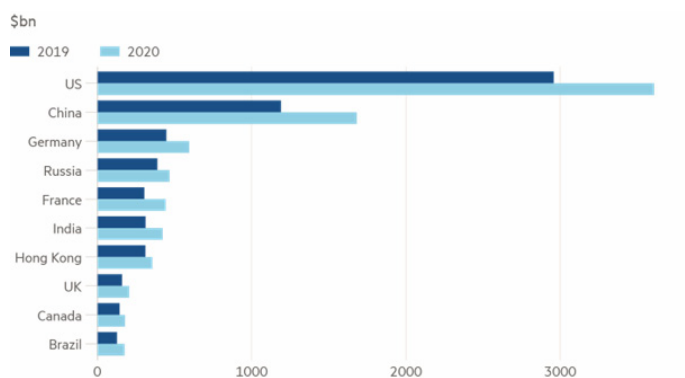
Emerging and developing countries have also seen a rise in inequality because of the pandemic. IMF authors conclude “the estimated effect from COVID-19 on the income distribution is much larger than that of past pandemics. It also provides evidence that the gains for emerging market economies and low-income developing countries achieved since the global financial crisis could be reversed.”<sup>22</sup> The World Bank has estimated that this year the pandemic will push between 88m and 115million people into extreme poverty on less than \$1.90 a day. It warns of “new poverty” appearing in middle-income countries.<sup>23</sup>

The growth of non-standard work, the gig economy and platform work prior to the pandemic has also increased inequality. Most platform workers do not have employment protection, unemployment benefits or paid sick leave and as a result, economic risk for many of these workers shifted onto their shoulders from employers or the state. As the pandemic has hit, customers for their services dried up overnight and they found themselves without income or employment. A global survey by an online search platform<sup>24</sup> for Ap-based jobs found that over half of the platform workers surveyed said they had lost their jobs, and more than a quarter had seen their hours cut in the first months of the pandemic.

As in the financial crisis, it is already clear that youth are big losers economically in the crisis. In addition to the disruption of education in most countries, unemployment amongst first time job seekers has soared. There is much evidence that initial job market experience influences earning capacity in the long term and hence deep recessions lead to scarring effects on individuals and subsequently economies and societies.

Meanwhile, at the other end of income distribution the wealth of many of the very rich has soared during the pandemic. The tech giants have seen their stock values rise rapidly since the beginning of the pandemic. The turnover of Amazon increased by 37% in the third quarter of 2020. Profits tripled to 6.3 billion dollars as has the wealth of its head Jeff Bezos. As seen in Figure 6, the wealth of billionaires has increased during the pandemic in all the major economies.

**Figure 7: Wealth of billionaires has increased in all major economies**



2019=April, 2020=July  
 Source: UBS  
 © FT  
 Source Financial Times <https://www.ft.com/content/ab30d301-351b-4387-b212-12fed904324b>



# Trade Union Action and Policy Advocacy

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## NEGOTIATION AND SOCIAL DIALOGUE ARE ESSENTIAL

At the national level, trade unions have been at the forefront of action to protect workers and their families during the pandemic. The Global Deal October 2020 report<sup>25</sup>, launched by the ILO, OECD, and the Swedish government has catalogued action taken by unions to advocate income support and job retention schemes. Beyond this it notes that “Social dialogue has also played a key role in developing policies to protect workers health against the spread of the virus. Many agreements and protocols were negotiated, providing workers with personal safety equipment, boosting sanitary provisions, reorganising workplaces and working hours to allow for social distancing, and taking extra precautionary measures for those at a higher risk of serious illness, such as older workers. By providing workers with a collective voice, social dialogue helped provide them with the confidence that a return to work would be as safe as possible. This, in turn helps in the continuation of essential activities and with reopening businesses after lockdown.” The U.S. has been a noted outlier. The AFL-CIO sued the federal U.S. Department of Labor to institute emergency safety regulations, which was refused. Three states have implemented, or are completing implementing, state level occupational safety rules.

Internationally Global Unions have been active in seeking to protect workers in activities where they have been most vulnerable whether this be abandoned seafarers or laid off garment workers in global supply chains <sup>26</sup>

## UNION POLICY ADVOCACY AT THE INTERNATIONAL ECONOMIC INSTITUTIONS

At the intergovernmental level, the ITUC called for urgent and concerted action from the Annual Meetings of the IMF and World Bank in October 2020. The ITUC General Secretary said, “ Debt relief and injections of funding for job creation in health, care, infrastructure, education and climate action are required to kick start global economic activity and build the resilience needed for the future.”

The Global Unions Statement<sup>27</sup> to the meetings set out as priorities:

- Creating and funding multilateral debt relief, with the World Bank and private investors taking their share of responsibility.
- The IMF and World Bank providing support to close the ‘stimulus gap’ identified by the International Labour Organization (ILO), helping countries design and finance public investment for jobs, and meeting the United Nation’s Sustainable Development Goals.
- Creating a global social protection fund with support from the World Bank and the ILO for the world’s poorest economies.
- Reforming the World Bank to help countries create quality jobs and reduce inequality, not promote the deregulation epitomised in the suspended Doing Business report.
- An end to the international finance institutions squeezing public sector wage expenditure, so that health and education can be properly resourced to tackle the pandemic and build back with resilience.
- Issuing IMF Special Drawing Rights to provide vital liquidity.
- Implementing taxation measures to help restore public finances, in particular returning billions of dollars that the ultra-rich have siphoned out of the global economy during the pandemic.

<sup>25</sup> <https://www.theglobaldeal.com/resources/2020%20Global%20Deal%20Flagship%20Report.pdf>

<sup>26</sup> <https://tuac.org/news/covid19-crisis-mapping-out-trade-union-and-social-partners-responses/>

<sup>27</sup>[https://www.ituc-csi.org/IMF\\_world\\_bank\\_g20\\_action](https://www.ituc-csi.org/IMF_world_bank_g20_action)

At the OECD Ministerial Council at the end of October TUAC called upon governments to agree a “roadmap for a fair and sustainable recovery”<sup>28</sup> with the immediate priorities of:

- Maintaining and expanding protection schemes for workers and for the most vulnerable.
- Scaling up and expanding health systems.
- Engaging in massive and sustained support to the economy.
- Establishing conditionality for state aids in terms of employment and social justice.
- And delivering the responsibility of OECD countries to the developing world.

For the longer term TUAC said that there should be no return to “business as usual” but rather the OECD should advocate:

- Supporting and expanding Labour market institutions.
- Tax justice.
- Resetting the trade and investment system with responsible business conduct at its core.
- Tackling imbalances and regulatory gaps for a more just digitalisation.
- Addressing market concentration.
- Quality public services and quality government.
- Ensuring quality public services and quality government.

The L20 statement<sup>29</sup> to the Riyadh G20 Leaders’ Summit on 21-22 November 2020 calls for “a new social contract ---- for ensuring recovery and resilience. Its fundamentals are a labour protection floor, universal social protection, new quality jobs and opportunities for women and men, quality public services for all, equality, and an ambitious plan for just transition to a zero-carbon economy. A New Social Contract requires that workers and employers be engaged in social dialogue together with governments based on respect for fundamental workers’ rights, to create a future where the failings of the past are consigned to history.”

## The immediate future is highly uncertain

As the extraordinary year, 2020, draws to a close the immediate future of the global economy remains highly uncertain. Economic forecasts from the economic and financial institutions have been replaced by “scenarios”. As indicated above, all scenarios are highly dependent on the evolution of the public health situation. An “optimistic scenario” would be one where subsequent waves of infection are contained, governments support the economy, an effective vaccine becomes available in the next year and renewed international cooperation ensures that this is made generally available globally. The C19 Pandemic disappears over the next two to three years as past pandemics have done. Under these circumstances over the medium term, whilst growth and employment would still be lower than otherwise due to “scarring effects” on workers and capital, major economic damage and the increase in poverty could be contained. The limitation of negative effects depend on the policy measures taken and the lessons learnt for coping with future crises.

There are many more pessimistic scenarios. However, worst effects can be mitigated by effective public policy responses. Historians have commented<sup>30</sup> on how past pandemics have led to accelerated economic and social change. That change can be for the better. The goal of union action has been to shape that change now and ensure it delivers benefits to workers and communities.

## ISSUES FOR UNION POLICY ADVOCACY

The IMF has divided government support for the economy into three phases: emergency support during lockdowns; planned reopening; and post-Covid recovery.

<sup>28</sup> <https://tuac.org/news/oecd-mcm-2020-a-roadmap-for-fair-and-sustainable-recovery-une-feuille-de-route-pour-une-reprise-equitable-et-durable-una-hoja-de-ruta-para-una-recuperacion-justa-y-sostenible/>

<sup>29</sup> [https://www.ituc-csi.org/IMG/pdf/04-I20-statement\\_2020\\_long-en.pdf](https://www.ituc-csi.org/IMG/pdf/04-I20-statement_2020_long-en.pdf)

<sup>30</sup> See for example <https://www.prospectmagazine.co.uk/magazine/margaret-macmillan-black-death-covid-19-lessons-history>

## EMERGENCY SUPPORT

There has been much agreement at the international meetings in late 2020 and in government action that during lockdowns the State must continue to support economies and employment through fiscal policy. Exceptionally low interest rates allow this to be financed by borrowing and that Central Banks continue to support this process. For the time-being the IMF has argued in favour of this. The IMF chief economist stated in November “Fiscal authorities can actively support demand through cash transfers to support consumption and large-scale investment in medical facilities, digital infrastructure and environment protection. These expenditures create jobs, stimulate private investment and lay the foundation for a stronger and greener recovery.”<sup>31</sup> This differs from the situation in the Great Recession of 2010 where the international institutions and many governments pushed prematurely for “exit strategies” from government support and the reduction of public debt. Austerity policies locked the global economy into stagnation. A reversion to austerity in the pandemic would be a disaster and the mistakes of 2010 must not be repeated.

Most developing and emerging economies have far less room for manoeuvre. There is the continuing risk of capital flight from individual countries hit hard by the pandemic with already high borrowing requirements. Even if G20 countries were to emerge from the crisis sooner rather than later, if developing countries see the pandemic spreading there will be the risk of a further global wave of infection. Even from the limited perspective of self-interest G20 governments must act to support developing countries.

Over the longer-term public debt can be reduced through growth, progressive taxation on the wealthy and effective corporate and digital economy taxation. This requires the international institutions to take the lead in promoting fair taxation systems. Central Bank mandates should be revised to include employment in addition to price stability in their mandates.

The majority of G20 countries have entered the crisis with finance and banking sectors in better shape than in 2008 and 2009 however, the longer the lockdown measures persist and the deeper the fall in GDP, the greater will be the risk<sup>32</sup> of spreading bankruptcies and as a consequence nonperforming loans. Insurance, pension funds and other institutional investors

will be hit. This reinforces the importance of stopping the vicious cycle of redundancies, unemployment and falling demand, which also reduces capacity in the medium term.

## PLANNED REOPENING

As economies shift to end lockdowns, the protection and safety of workers must be a key priority. The appreciation of health workers and their protection has justifiably become a central issue in the pandemic. The crisis has also shown the essential nature of other service workers – cleaners, refuse collectors and the private sector workers in retail, food production. These are low-pay sectors where workers are now being required to work in exposed and dangerous work. The pandemic has shown the importance of safety at work from a communal point of view - if essential workers fall sick the health the response to the crisis will break down. Following the pandemic, a new social contract must ensure decent pay, working conditions and safety for groups of workers so far-denied these protections.

The growth of tele-working has been a feature of the changing nature of work during the lockdowns<sup>33</sup>. It is likely to become a more permanent feature of the work environment for many groups of workers. Those working from home needed to be protected from exploitation and over-work just as other groups of workers, it needs to be regulated through collective bargaining and working hours regulations.

For sectors at risk that may not recover from the shock of the pandemic<sup>34</sup> it is essential that jobs plans including active labour market policies are put in place to facilitate transition. Markets will not be able manage this transition in a socially acceptable way. After three decades of neo-liberalism in many countries’ governments will be challenged to run what are in essence industrial policies as blanket support is replaced by targeted interventions.

A lesson from 2010 was that exit strategies pushed for too rapid withdrawal government responsibility and influence over supported firms and sectors - private debt became public debt. This cannot be allowed to happen as economies emerge from the pandemic. Taxpayers money must require conditionality both in avoiding excessive executive pay, ensuring companies play the social roles expected of

31 IMF chief economist Gita Gopinath in the Financial Times 2 Nov 2020 <https://www.ft.com/content/2e1c0555-d65b-48d1-9af3-825d187eec58>

32 [https://read.oecd-ilibrary.org/view/?ref=127\\_127003-tvl9kqbfy9&title=Global-Financial-Markets-Policy-Responses-to-COVID-19](https://read.oecd-ilibrary.org/view/?ref=127_127003-tvl9kqbfy9&title=Global-Financial-Markets-Policy-Responses-to-COVID-19)

33 <https://www.socialeurope.eu/the-future-of-work-in-the-post-covid-19-digital-era>

34 See <https://www.thersa.org/reports/work-automation-covid>

them in the crisis and in the longer-term ensuring tax evasion and avoidance by the corporate sector does not undermine tax bases. The Responsible Business Conduct agenda now must be given real teeth. Enterprises must be democratised - The crisis gives an opportunity for governments to promote fairer workplaces. Employees must be given rights to Co-determination information and negotiation in exchange for the social sacrifices which have been made during the pandemic. There is an opportunity to expand real industrial democracy.

## POST-COVID RECOVERY

The L20 statement<sup>35</sup> to the G20 Riyadh summit sets out the elements of the required strategy:

- investing in infrastructure, especially in capacity that would reduce greenhouse emissions.
- promoting a circular economy.
- investing in transforming transportation and achieving the SDGs on water and sanitation, electrification, and digital connectivity.
- investing in the care economy to create new quality jobs, formalise existing jobs and enable more women to participate in the labour market while at the same time addressing urgent needs stemming from responding to the pandemic.
- investing in universally accessible quality public services starting with health and education.
- extending social protection to all workers in line with international labour standards and the SDGs.
- adopting industry policy and achieving industrial transformation for sustainable development and a just transition to a zero-carbon economy.
- declaring COVID-19 a workplace disease, enabling sector-specific hazard reduction and risk management protocols and ensuring access to quality personal protective equipment.

Lessons should also be drawn on the costs of insecurity. After 2010 as stimulus gave way to austerity policies, social protection was cut back. Lip service was given by the G20 to developing social protection and at successive G20 meetings but there was little implementation at national level.

<sup>35</sup> [https://www.ituc-csi.org/IMG/pdf/04-l20-statement\\_2020\\_long-en.pdf](https://www.ituc-csi.org/IMG/pdf/04-l20-statement_2020_long-en.pdf)

<sup>36</sup> <https://archive.org/details/in.ernet.dli.2015.499597/page/n3/mode/2up>

The pandemic has brought into sharp focus the broader importance of social justice. Rising income inequality in the past has fragilized societies. The countries and communities weathering these measures most effectively will be those with greater social cohesion where containment policies are designed to be fair and are seen to be fair.

This should also be the occasion to learn from some of the unintended environmental consequences of the confinement measures to promote a recovery that is equitable and environmentally sustainable. The requirements of moving to low carbon solutions due to climate change require that countries do not return to the old high carbon model of development but rather introduce environmental conditionality into recovery programs.

On the side of monetary policy, central banks should adopt a mandate for employment and environment.

In 2009 international cooperation halted an escalating crisis. The G20 2009 London and Pittsburgh summits agreed measures which both avoided the Great Recession becoming a great depression on the scale of the 1930s. The error was that they retreated from this commitment prematurely. Beyond this crisis the reconstruction of supply chains and a more socially and environmentally sustainable form of globalisation, will require stronger international cooperation, and a more effective G20. Unless there is an approach of enlightened self-interest from governments in the international sphere and increased support for the multilateral system, governments will repeat the mistakes of the past.

In 1940 Keynes wrote in “How to pay for the war”: “I have endeavoured to snatch from the exigency of war positive social improvements, including universal family allowances in cash, the accumulation of working class wealth under working class control, a cheap ration of necessities and a capital levy (or tax) after the war, (it) embodies an advance towards economic equality greater than any which we have made in recent times.”<sup>36</sup> We can still learn from Keynes now.



