Executive summary

The burden of the COVID-19 crisis has fallen disproportionally on already vulnerable groups

The initial shock of the COVID-19 crisis was felt across large swathes of the economy, as fear of contagion and strict restrictions on social proximity severely dampened economic activity in OECD countries. As people and governments have learnt how to live alongside the virus, behaviours have adapted and restrictions have become looser and more targeted. This has enabled many to return to work. But the deeply sectoral nature of the crisis and differences in the sheltering offered by various types of jobs have left some to shoulder the bulk of the burden in terms of job losses and reduced working time. Those in low-paying occupations, often with fixed-term contracts, holding a low level of education, and youth have been particularly affected by the ravages of the crisis; hours worked by these groups have fallen disproportionately, and joblessness has accounted for a larger share of the adjustment, while other groups were better able to adjust through working time reductions and telework. Firms are also restructuring in ways that are accelerating pre-existing megatrends, such as automation and digitalisation. All this will have implications for the strength and extent of recovery.

Soaring long-term unemployment is a tangible risk

Almost a year and a half into the crisis, many are still to regain full-time employment. As job retention schemes are rolled back, workers who have not regained normal hours face an increasing risk of entering open unemployment. At the same time, many of those who lost their jobs in the first phases of the pandemic have been jobless since then and may find it increasingly difficult to compete with those whose jobs have been previously sheltered. As a result, there is a risk of a rapid build-up of long-term unemployment. At the end of 2020, there were indeed 60% more people unemployed for at least six months, and this figure has continued to grow in the first quarter of 2021.

After protecting jobs during the height of the crisis, the design of job retention schemes must be adjusted to support the recovery

Job retention schemes have been the main instrument used in many OECD countries to soften the labour market impact of the COVID-19 crisis. The use of job retention support peaked at unprecedented levels of around 20% of employment on average across the OECD in April 2020. At the height of the crisis, it supported approximately 60 million jobs, more than ten times as many as during the global financial crisis. Job retention schemes helped to limit rises in unemployment while there is no indication that they had a significant adverse impact on job creation. However, while support must continue for sectors still heavily affected by social distancing restrictions, for others where economic activities have resumed the design of these schemes must progressively be adjusted to promote the recovery and eventually phased out. More generally, well-designed job retention schemes should be timely, targeted and temporary.

Countries have strengthened employment services and adapted their delivery to cope with increased numbers of jobseekers in the pandemic

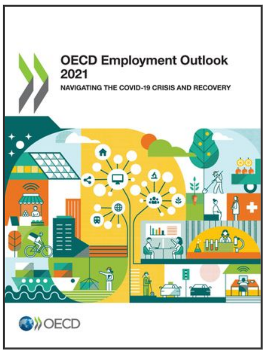
To handle the sudden increase in unemployment, around two-thirds of OECD countries increased the budget for their public employment services in 2020 and about half of them plan to do so in 2021. Social distancing requirements also necessitated significant changes to service delivery. Digital provision of services has been rapidly expanded to support jobseekers, workers and employers. Close collaboration with stakeholders and flexibility in active labour market policy legislation and its implementation have been key in enabling agile responses to the pandemic. Measures to foster job creation and increase labour demand have been widely used in the early stages of the crisis. Training programmes and employment incentives that support displaced workers and help vulnerable groups such as youth, women, the low skilled, those with health and disability conditions, and those furthest from the labour market will be essential to ensure a balanced recovery.

Domestic outsourcing is growing across OECD countries and may bring risks for job quality and inequality

An increasing share of workers in OECD countries are legally employed by one firm but in practice work for another. For example, cleaners, security guards and cafeteria staff often physically work on the premises of one firm, but their legal employer is a third-party support-services company. Such tripartite employment relationships, which are often referred to as "domestic outsourcing", are on the rise in many OECD countries. Domestic outsourcing may bring productivity and employment gains but workers in certain low-pay occupations, when employed by third-party contractor firms, tend to earn less than those employed in similar but in-house jobs. This suggests that domestic outsourcing may be an important contributor to inequality. Policy makers may wish to consider policies aimed at preserving the positive aspects of outsourcing while mitigating any deterioration in job quality for affected workers.

Working hours have stabilised in recent years, but working time patterns vary significantly across countries and groups of workers

All OECD countries regulate working time to some extent, but there are significant differences in the stringency of rules, as well as the hierarchy between statutory and negotiated ones. Understanding these differences is necessary to analyse the link between regulation and working time outcomes (e.g. hours worked, leave taken, etc.). The trend in usual weekly hours for full-time employees has been flat since the mid-1990s in most countries, while time spent on leisure has decreased. Since the mid-2000s, the incidence of paid overtime among full-time employees has also been stable. For those concerned, overtime amounted to one additional day per week on average in 2019. These patterns mask large differences across groups, with a higher intensity of very short hours among women and low-skilled workers. The use of flexible working time arrangements also varies. These differences have also shaped the use of telework during the COVID-19 crisis. It was already most frequent among highly educated and highly paid workers before the COVID-19 crisis, but these disparities have been widening during the pandemic.



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