

## ► Technical Brief

May 2020

# Rapid Diagnostics for Assessing the Country Level Impact of COVID-19 on the Economy and Labour Market<sup>1</sup>

## Guidelines

### ► Why a rapid diagnostic at the country level

The COVID-19 pandemic is a health crisis, which has resulted in severe economic and labour market shocks, particularly through the containment measures adopted around the world. According to the [3<sup>rd</sup> ILO Monitor](#) released on 29 April, global working hours in the second quarter 2020 are expected to be 10.5 per cent lower than in the last quarter of 2019, which is equivalent to 305 million full-time jobs.

Businesses and workers in a majority of countries are impacted by the crisis through both direct and indirect channels. A number of sectors, including accommodation and food services, retail trade, and manufacturing, are severely affected, which is resulting in losses of jobs, wages and incomes, especially for workers without protection (e.g. informal economy, casual and domestic workers) and small businesses. Consumers in many economies are unable or reluctant to purchase goods and services that are available due to the high levels of uncertainty, while enterprises have reduced investments, purchases of goods and hiring of workers.

While the outbreak has affected countries in different ways and containment responses vary, all countries have felt the economic decline resulting from falling global demand and disruptions in global supply chains, capital flows and tourism. Women are particularly vulnerable to this crisis by

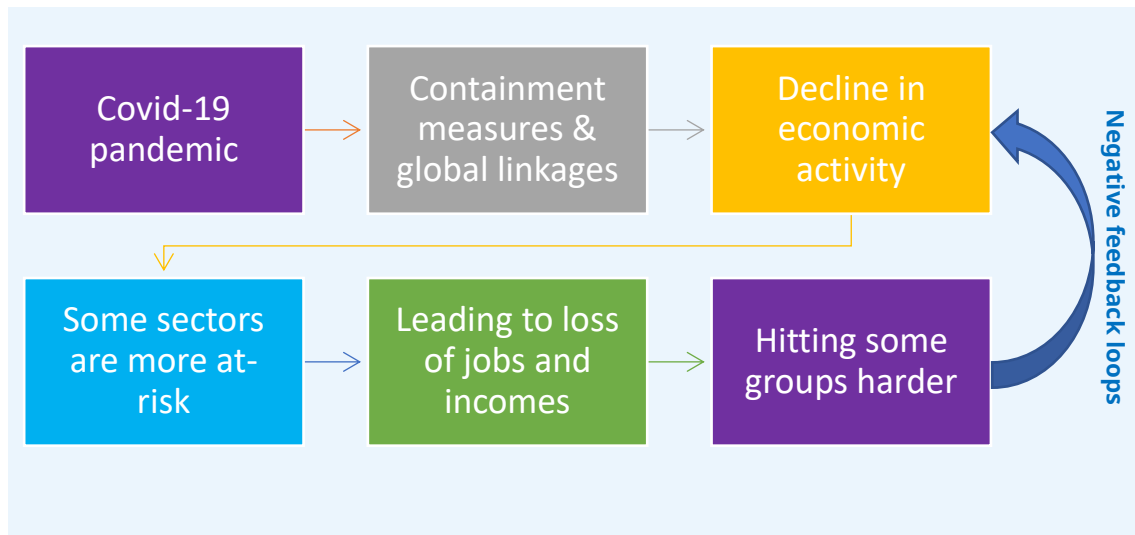
the combined effect of job losses in hard-hit sectors, their overrepresentation in the health care sector workforce, which is in the frontline of fighting the epidemic, and the higher demands on their care work given the closure of schools and care facilities. Migrant workers and refugees are particularly vulnerable to border closures, which have led to a decrease in remittances and reduced opportunities for outmigration. In the absence of appropriate measures, many informal workers would migrate back to the rural areas, accelerating the spread of the contagion.

Young people in both developed and developing countries are also hard-hit by the economic downturn. A “last in, first out” practice threatens to increase youth unemployment rates and low quality jobs among young people, while the decline in economic activity is likely to push young entrepreneurs out of the market. At the same time, a sluggish employment recovery for people aged 55 and above can be expected.

If policy measures to mitigate the impact on the labour market are insufficient, there will be a further round of contractionary effects on economic activity due to lower levels of incomes and consumption among workers and lower levels of investment by businesses, resulting in a prolonged and deep recession, which might deepen inequalities

<sup>1</sup> This rapid assessment guidelines provide an overview and guidance to ILO employment specialists and Country Offices on analysing the impact of the COVID-19 crisis on employment in general and for specific segments of the labour force, as well as mapping policy options and gaps.

► **Figure 1: Health crisis has become an economic and labour market shock in all countries**



## Purpose of the rapid diagnostics

As the impact of the crisis has intensified around the world, countries need immediate, real-time support on assessing the employment impacts of COVID-19. Towards this goal, the rapid diagnostics seek to:

1. Assess the current impact and transmission mechanisms of the COVID-19 crisis on a country's economy and labour market, while identifying the most affected sectors/groups;
2. Review existing policy responses, their objectives and expected impacts, and identify gaps in policy implementation.

Since real-time data is lacking in most countries, particularly in terms of labour market impacts, it is essential that the assessment takes into account various indicators

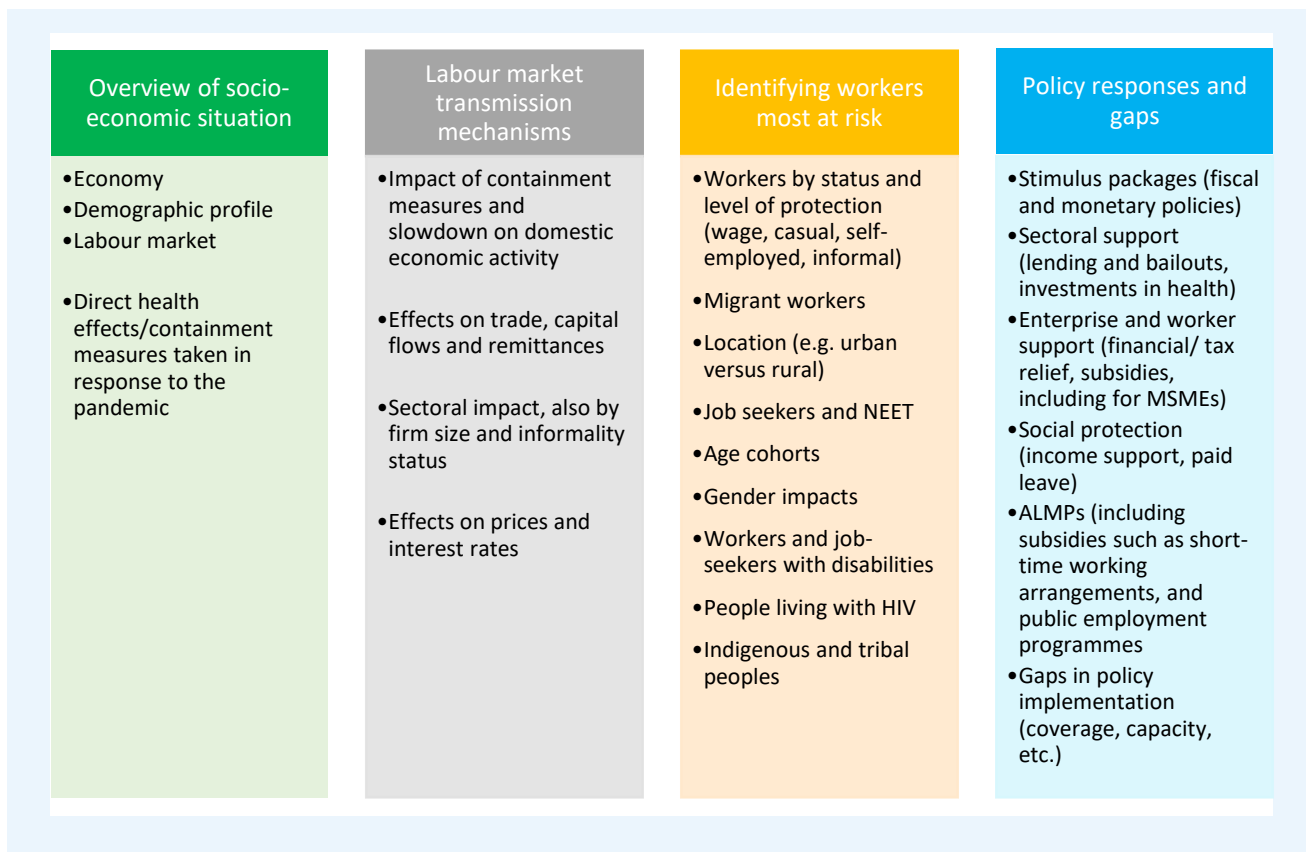
and qualitative insights on economic and employment effects. Social dialogue should underpin such a process through the participation of representatives of employer and worker organizations, along with other experts, including sectoral associations.

While the focus of the rapid assessment is to identify the immediate impact and policy responses, it will constitute a key input for the formulation and revision of the new generation of gender-responsive national employment policies. This follow-up will become a key focus area of ILO's support once countries shift to the recovery phase.

## Structure of the rapid diagnostics

The rapid assessments are structured on four key areas shown in figure 2

► **Figure 2: Four components of a rapid diagnostics**



The structure presented acts as a framework to carry out the diagnostics consistently across countries. However, it should not be treated as a rigid list of issues since the approach will have to be adapted to the country-context and policy phases.

To help guide the steps in the assessments, the following questions capture some of the key context and analytic elements on the direct and indirect transmission mechanisms, along with the policy responses and gaps in implementation. While a fuller version is used in-country, some of the key points are listed below.

### Baseline situation and health/containment measures

What was the baseline economic and labour market situation? What is the current status of containment measures? Have they been effective in containing the spread of the virus? Have any steps been taken to lift containment measures?

### Labour market transmission mechanisms

#### Direct effects due to containment measures

Which sectors/occupations are most affected by containment measures (for example, non-essential activities) and how important are they in employment? What is the share of temporary, casual and own account work in these sectors? Are informal enterprises or informal employment widespread? What is the proportion of women and men in these sectors? How possible is tele-working and what is the access of workers to these solutions? How has the impact manifested itself on employment, hours worked and wages/incomes?

#### Indirect effects

How reliant is the economy on regional and global trade and the hard-hit sectors? How important are they in terms of employment? What impacts have there been on capital flows (FDI and foreign institutional investment, ODA), deficit, foreign debt, and in remittances? Are there any

warnings/emerging risks regarding essential food and other consumption items? Are there significant inflows of returnees, back to country, and back to rural areas? Is there any impact on refugees?

### Workers and enterprises at risk

How have informal workers and enterprises been affected? How have employment contracts been affected? Are there particular gender-related challenges evident in the sectors/occupations most at risk, along with the implications for the care economy (paid care work and unpaid care work)? Is there any evidence of a greater impact on young people or older people, or less-educated? What are the effects on self-employed, casual workers, seasonal workers, and working poverty? What are the effects on vulnerable workers (workers and job seekers with disabilities, indigenous workers, etc.)? What is the impact by firm size?

### Policy responses and gaps

What policy and programmatic responses have been taken by the government? Is there sufficient policy space, including fiscal, to support an expansion of government spending to aid households and firms? How dependent is the country on international financial flows? Is there scope for concessional finance and/or debt relief? Are measures in place to provide immediate income relief to employers and workers? Which channels are available to ensure economically viable MSMEs survive short-term liquidity constraints? What programs are in place that could be scaled up to keep business operating and workers in jobs, while protecting households through income maintenance or wage subsidies? Are there mechanisms to reach

unregistered and informal firms and workers? How has social dialogue worked since the onset of the crisis? Are there plans for a de-escalation of containment measures and medium to long-term plans for recovery of employment? How do countries intend to incorporate productive development strategies for future phases of the response? Are NEPs being considered or re-positioned for medium to longer-term employment recovery in the country?

### Process for the rapid diagnostics:

Given the immediacy of the crisis, the following steps are recommended to ensure the timeliness of the diagnostics.

Step 1 – Establish a task team

Step 2 – Review existing analysis, relevant data and policy reviews within the ILO and other agencies

Step 3 – Undertake an analysis of the socio-economic situation prior to the onset of COVID-19 and collect available secondary data on the current impact of the crisis on the economy and labour market

Step 4 – Carry out key informant interviews with relevant government, employer organizations, worker organizations, think tanks and academia, and, if appropriate and feasible, link to surveys of enterprises/households that have been carried out or are on-going.

Step 5 – Undertake consultation process with constituents and other stakeholders to validate findings.

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