



# IOE Paper on Diverse Labour Measures Implemented by Employers in Response to Covid-19

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As Covid-19 shook the global economy, the sustainability of enterprises is at risk resulting in a major impact on the livelihoods of the workforce and the society. The private sector has been forced to implement various labour measures and arrangements to mitigate these consequences. The [ILO](#) already estimates that there is a 6.7% reduction of working hours globally in the second quarter of 2020 equating to 195 million full-time workers. In another [survey](#) on the impact of COVID-19 on SMEs in China, the first country to be hit by the virus, 30% experienced a collapse in demand of 50% or more, 28% had a 20%-50% reduction and 64% indicated that they will be unable to last beyond six months.

This document follows the [IOE Digital Conference](#) on “Insights on diverse labour measures implemented by employers in response to Covid-19: what works and what does not”, that took place on 1 April 2020. It outlines a range of industrial relations measures used by companies, and arrangements with the workforce to minimise the impact on jobs and ensure the sustainability of enterprises. The spectrum of measures should not be considered as best practices nor the only means available.

The virus is the same worldwide but the impact in each country is different and the responses, legal frameworks and institutional capacities vary greatly among jurisdictions. There are simply no one-size-fits all solutions. As such, social dialogue plays an essential role in finding the right response to meet the countries’ needs, as well as the best way to secure an enabling environment for sustainable enterprises. While the extraordinary circumstances require at times quick and decisive actions to mitigate the impact, the most effective labour and economic measures are those agreed between social partners and with the support of governments.

## Essential/non-essential services

In response to Covid-19, many governments have declared a temporary closure of non-essential services to protect their populations and to slow down the spread of the virus. The classification of essential and non-essential services drew wide confusion for many as governments differ their definitions and approaches over time.

For most countries, “essential services” in the context of the emergency includes healthcare, pharmacies, transport, food retailers, private security, banks, post offices, gas stations and garbage collection. While “non-essential services” include construction, schools, retail shops, restaurants, hotels, cinemas, museums, libraries, gyms and recreation centres.

The impact of such statutory measures meant that businesses operating in “essential services” can maintain their business operations with certain health and safety measures such as “social distancing” in the workplace. Whereas “non-essential services” must temporarily close until the measures are lifted. This forced measure greatly affected employers in the case where teleworking is not possible. Below are a few examples taken from [our regional network](#) on the situation and impact of essential services classifications.

- In **Italy**,<sup>1</sup> the Ministry of Economy estimated that 2.2 million firms (49,4% of the total) and 8.6 million workers (51%) fall into “essential” sectors.
- On the contrary, in **Mexico**,<sup>2</sup> the classification of “essential” work has not been defined by the government causing an overall public confusion.
- Since the lockdown in **India**,<sup>3</sup> the government issued a new directive on 7 April 2020 reducing the transport of non-essential goods, which was initially permitted, in order to prevent supply issues and ensure transportation of essential items.
- In **South Africa**,<sup>4</sup> the Ministry of Commerce, Industry and Trade announced on 3 April 2020 that all business not involved in the manufacturing, supply or provision of essential goods and services must cease operation during the partial lockdown.
- In **Canada**,<sup>5</sup> 51 Inuit communities called for the government to deem air transportation as essential service for the duration of the COVID-19 pandemic, as they do not have roads or railways to transport essential goods and services like the rest of the country.

## Remuneration and leave

In light of the governments’ statutory health measures and temporary closures, regardless of the classification of essential and non-essential services, companies had to react quickly to ensure business continuity and sustainability. National labour frameworks and governmental relief actions have allowed companies to resort to a wide range of labour measures. Below is a list of some examples drawn from IOE members’ context although it is not exhaustive. These are grouped based on their similar characteristics. Other examples can be found on the IOE [COVID-19 website](#).

- **Sick leave:** Paid sick leave for workers who are self-isolating or recovering from infection based on medical professional advice.
  - In the **UK**,<sup>6</sup> the Government implemented measures entitled Statutory Sick Pay for individuals who may be a carrier of Covid-19, but do not have the symptoms and for those individuals who are caring for people in the same household with Covid-19 symptoms.

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<sup>1</sup> Paula Astorri, Industrial Relations and the Coronavirus Outbreak in Italy, Confindustria Presentation for IOE Conference on Diverse Labour Measures Implemented by Employers in the Context of COVID-19, 1 April 2020.

<sup>2</sup> Fernando Yllanes Almanza, Confederación de Cámaras Industriales (CONCAMIN) presentation for IOE Conference on Diverse Labour Measures Implemented by Employers in the Context of COVID-19, 1 April 2020.

<sup>3</sup> The Economic Times, “Move only essential items: Transport body to members”, 7 April 2020, available at <https://economictimes.indiatimes.com/industry/transportation/shipping/-/transport/move-only-essential-items-transport-body-to-members/articleshow/75016374.cms?from=mdr>.

<sup>4</sup> Ministry of Commerce, Industry and Trade, “For Immediate Release Eswatini COVID-19 Essential services as regulated”, 2 April 2020, available at <http://www.gov.sz/index.php/component/content/article/141-test/2432-eswatini-covid-19-essential-services-as-regulated?Itemid=799>.

<sup>5</sup> Teresa Wright, “Coronavirus: Canada urged to make air transport an essential service for Inuit, North”, The Canadian Press, 1 April 2020, available at <https://globalnews.ca/news/6760198/coronavirus-canada-inuit-north-air-transport/>.

<sup>6</sup> UK government, “Support for those affected by COVID-19”, updated 9 April 2020, available at <https://www.gov.uk/government/publications/support-for-those-affected-by-covid-19/support-for-those-affected-by-covid-19>.

- **Annual paid leave/Anticipated holidays:** Annual paid leave are entitlements that employees can take when they are not working in accordance with national law.
  - In **New Zealand**,<sup>7</sup> employees can agree to take their annual leave in advance, but they cannot be compelled to do so.
  - In the **UK**,<sup>8</sup> workers who have not taken all of their statutory annual leave entitlement due to COVID-19 are now able to carry over a maximum of four weeks into the next two leave years, providing welcome flexibility to employers and employees alike.
  - In **Costa Rica**,<sup>9</sup> employers are called to seek other measures, such as the anticipation of holidays before taking more drastic measures.
- **Unpaid leave/Furlough/Temporary lay-off:** Employees who have been furloughed remain on the employer's payroll and receive unpaid leave during the time they are not working until work resumes. This measure aims to prevent jobs destruction as an immediate consequence. It is a common measure in a number of industries, where operations have been largely stopped until the emergency is over.<sup>10</sup>
  - The airline industry was one of the most hit industries due to travel bans and restrictions, resulting in a severe glut in ticket sales. For example, Norwegian Air temporarily laid off 50% of its workforce amounting to 7300 works as they suspend 4000 flights due to the pandemic. Similarly, over 1200 workers who staff restaurants and stores in New York airports were laid off due to the closure.
  - The arts and culture industries have also laid off their workers due to statutory closures. For example, Montreal-based circus producer will lay off 4679 people amounting to 95% of its staff.
  - The International Alliance of Theatrical Stage Employees (IATSE) established that 120,000 jobs for film workers, including technicians, artisans and other crew positions have been eliminated.
  - The hotel industries also resorted to the same measures. For example, a Hotel Trust which owns 54 hotels laid off half of its 8000 works and may need to further cut an additional 2000.
- **Basic pay:** Companies may continue paying employees basic pay according to national standards regardless of whether employees are working or not until work resumes.

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<sup>7</sup> Employment New Zealand, "Leave and pay entitlements during COVID-19", last updated 14 April 2020, available at <https://www.employment.govt.nz/leave-and-holidays/other-types-of-leave/coronavirus-workplace/leave-and-pay-entitlements-during-covid-19/>.

<sup>8</sup> UK government, "Rules on carrying over annual leave to be relaxed to support key industries during COVID-19", (Press Release, 27 March 2020), available at <https://www.gov.uk/government/news/rules-on-carrying-over-annual-leave-to-be-relaxed-to-support-key-industries-during-covid-19>.

<sup>9</sup> María Lucía Alvarado and Aguilar Castillo Love, "COSTA RICA - Labor and Employment Law in Costa Rica: Response to COVID-19", The American Bar, 25 March 2020, available at [https://www.americanbar.org/groups/labor\\_law/publications/ilelc\\_newsletters/special-covid-19-issue/costa-rica-labor-and-employment-law/](https://www.americanbar.org/groups/labor_law/publications/ilelc_newsletters/special-covid-19-issue/costa-rica-labor-and-employment-law/).

<sup>10</sup> See Michelle Zadikian, "COVID-19 jobs tracker: Layoffs, furloughs and hiring during the pandemic", BNN Bloomberg, last updated 13 April 2020, available at <https://www.bnnbloomberg.ca/covid-19-jobs-tracker-layoffs-furloughs-and-hiring-during-the-pandemic-1.1417086>; and Lisette Voytko, "Coronavirus Layoffs: XFL Latest To Cut Jobs Amid Pandemic", Forbes, last updated 10 April 2020, available at <https://www.forbes.com/sites/lisettevoytko/2020/04/10/coronavirus-layoffs-xfl-latest-to-cut-jobs-amid-pandemic/#6127776a2a15>.

- In **Mexico**,<sup>11</sup> the Labour Code provides for the payment of the minimum wage during the suspension of activities resulting from a health emergency. The Mexican government declared a health emergency on 30 March 2020 to trigger this measure.
- **Reduced pay:** Reduced pay is a common option to cut expenses and costs for the sustainability of the enterprise.
  - For example, **UK** employers have been offered government grants to cover 80% of wages (or maximum £2,500 per worker per month) for staff on their payroll who are not working because of the COVID-19 pandemic. Similarly, in **Denmark**, 75% of workers' salaries (up to a maximum of 23,000 kroner or roughly £2,840 a month) will be subsidized by the government if firms promise not to fire employees. In the **Netherlands**, companies facing a loss of at least 20% of their revenue can similarly apply for the Government to cover 90% of payroll.<sup>12</sup>
  - Another measure taken by companies is to reduce the pay of senior staff to cut costs and pay its more junior staff. For example, in the **US**,<sup>13</sup> a restaurant owner forewent his salary and halved the salary of senior executives to reduce costs, as sales fell 71% across all of its chains.
- **Reduced working time:** Decrease in the number of working hours to reflect the demand and needs of the workload.
  - In **Costa Rica**,<sup>14</sup> the government presented a bill to temporarily reduce working day for up to 75%, resulting also in a reduction of wages.
- **Deferred pay:** Defer totally or partially payment of wages until further date as agreed with the workers given the disruption of the business operations.
  - In **South Africa**,<sup>15</sup> the general labour practice is no work, no pay. But during these times, Employers are encouraged who can pay, should pay.
- **Social-distancing:** Social-distancing measures allow employees to continue to work safely in the workplace.
- **Teleworking:** Working from home using technology to continue business operations. It is one of the most common measures taken to ensure business continuity.
- **Dismissal:** Dismissal is a permanent end to employment. Although in most instances dismissal will not be the first choice for business, businesses in certain sectors had no alternative but to make recourse to this option.
- **Redundancy:** Redundancy is a reduction in the need for employees to carry out work of a particular kind, or employer intends to cease business operations. In this case, employers provide workers with redundancy packages to employees.

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<sup>11</sup> Mexico News Daily, "Coronavirus emergency declared; nonessential activities suspended 30 days", 31 March 2020, available at <https://mexiconewsdaily.com/news/coronavirus/national-coronavirus-emergency-declared/>.

<sup>12</sup> Laura Oliver, "Coronavirus: What does 'furlough' mean and how will it affect workers worldwide", World Economic Forum, 1 April 2020, available at <https://www.weforum.org/agenda/2020/04/covid19-furlough-employers-workers-support-global/>.

<sup>13</sup> Amanda Jean Dalugdug, "Darden Restaurants cuts executives' pay, enters \$270M term loan amid COVID-19", S&P Global Market Intelligence, 8 April 2020, available at <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/darden-restaurants-cuts-executives-pay-enters-270m-term-loan-amid-covid-19-57943005>.

<sup>14</sup> Arias, "Government Actions to Mitigate the COVID-19 Impact - Update 7", March 2020, available at <http://ariaslaw.com/en/press/government-actions-to-mitigate-the-covid-19-impact-3>.

<sup>15</sup> Johnathan Goldberg, Business South Africa (BUSA) Presentation for IOE Conference on Diverse Labour Measures Implemented by Employers in the Context of COVID-19, 1 April 2020.

## Conclusion

The private sector continues to seek different ways to tackle the financial and economic consequences due to Covid-19 and influence policy and governmental actions to alleviate the impact on the wellbeing of our society. While some of these face statutory challenges, innovative and negotiated solutions can facilitate timely and tailored responses from the governments to put into action relief strategies in a more effective manner.

It is important to reiterate that there are no one-size-fits-all solutions to deal with industrial relations matters. Employers should engage with social dialogue through their national employers' organisation representative for advice and negotiation of arrangements that best meet the needs of their country and also find solutions better adapted to their needs. Furthermore, at the global level, the ILO should continue taking the lead to find a coordinated and articulated response to overcome the new challenges in the world of work.

For more information, please check the [IOE COVID-19 website](#) ; or contact our Senior Adviser, Luis Rodrigo Morales ([morales@ioe-emp.com](mailto:morales@ioe-emp.com)) and Adviser, Rita Yip ([yip@ioe-emp.com](mailto:yip@ioe-emp.com)).



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