



G20 during the COVID-19 pandemic

Stress testing policies and actions

June 2021

Table of contents

Introduction	2
The impact of G20 pandemic policies on labor markets	4
From B20 to G20 to national context: How are priorities applied at each level?	10
Conclusions	13

Introduction

The G20 in its current form was set up to coordinate an international response to the 2008/2009 global financial crisis. The COVID-19 pandemic and its health, employment and social impacts challenged the G20 and its members even more than the crisis 12 years before. The COVID-19 pandemic has posed new challenges to policy makers and business and at the same time has aggravated many existing gaps in policy frameworks, such as informality, insufficient social protection floors, rigid labor markets and skill-building systems that do not reflect labor market needs. The G20 has tackled many of these issues in the last 12 years, developed policy priorities and created commitments, targets and goals.

Findings from a joint International Organisation of Employers (IOE)-Deloitte-B20 monitoring report¹ in 2018, however, highlighted that the G20 in its first ten years did not fully realize its potential. The report suggested that it would be critical to strengthen the implementation of G20 commitments at the national level to evolve and modernize labor markets, skills and education systems, and actions that enable a better environment for business.

Even before the COVID-19 crisis, G20 countries were not on track to reach the targets of Sustainable Development Goal (SDG) 8 of the Agenda 2030 (Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all). In 2019, an IOE-Deloitte-USCIB SDG monitoring report² stressed that “the rate of global progress has, so far, not kept pace with the ambitions of the 2030 Agenda. While per capita income levels have narrowed between high-and lower-income countries over the past decade and labor productivity has marginally improved in the latter, very little success has been achieved with respect to:

- Increasing employment opportunities, especially for the young workforce
- Reducing informal employment, labor market inequality, and gender discrimination
- Improving resource efficiency in consumption
- Promoting safe and secure working environments
- Improving access to financial services



Meeting these SDG targets will be necessary for sustained and inclusive economic growth. The slow and unequal pace of progress in achieving the various aspects of this wide-ranging SDG across countries points to the inability of policymakers in translating and incorporating this shared agenda and vision into national development plans and strategies.”³

Better implementation of G20 commitments, stronger actions on SDG 8 and more ambitious labor market and education reforms would have contributed to resilience-building of G20 labor markets and economies.

¹ “Ten years on: The G20 Employment Process—Successes, Challenges and Impacts”; Deloitte, IOE, B20 Argentina (2018)

² “Reaching SDG8: Challenges, Opportunities and Risks”; Deloitte, IOE, USCIB (2019)

³ *ibid*

This joint IOE-Deloitte report follows up on the 2018 monitoring report. It analyzes the labor market performance of G20 countries during the COVID-19 crisis. It looks at the uptake of the B20 labor market and education recommendations by the G20 for the years 2018-2020. It also examines the implementation of G20 commitments at national level and reviews the impact of the G20 on labor markets and skill building systems. The report aims to deepen the understanding on the developments of G20 labor market during the crisis and to increase transparency and accountability regarding the implementation of G20 commitments and the impact of the G20 at a national level.



The impact of G20 pandemic policies on labor markets

COVID-19 has upended lives and livelihoods around the globe. In order to suppress the spread of the virus, G20 governments responded with lockdowns and movement restrictions of varying degrees. When these restrictions resulted, as expected, in business closures and job losses, governments, to the extent they were able, were quick to step in with supportive policies. However, no country has been able to completely shelter its people and businesses from harm. The inoculation process has started in all G20 countries and restrictions in most countries are beginning to lift. However, the pace of vaccination differs substantially across the countries and the time to complete the vaccination program to a significant proportion of the respective population differs widely. While one can hope that the worst is probably over in terms of infection spread for a majority of the G20 countries, Brazil and India being the exceptions at the time of writing, the pandemic ebbs and flows will likely continue. In the meantime, the policies initiated by these countries during this period will determine the future of their workforces.

The pandemic's impact on G20 labor markets has not been uniform

The pandemic's impact on the labor market varied across the regions and the G20 countries since the outbreak early last year. According to the latest data available, the G20 Americas countries reported sharp increases in the unemployment rates after the onset of the pandemic, with only Mexico managing to keep unemployment rates low (see figure 1). South Africa was the worst hit country with the unemployment rate topping 30 percent for most of the year.

The G20 Asia-Pacific Countries (APAC) countries saw a mix of labor market impacts, due, in part, to their varying success in controlling the infection spread during this period. Among APAC countries, the unemployment rate in India rose the most (reaching 18.5 percent in June 2020 up from 7.6 percent in December 2019) because of its stringent country-wide lockdown in Q2 2020. Australia, Saudi Arabia, and Russia were among the other badly hit countries in terms of unemployment rates, while employment in the rest of APAC G20 countries remained relatively unscathed.

The APAC and Americas G20 countries are very diverse. The prevalence of a large informal employment sector in the G20 APAC and Americas developing countries adds uncertainty to the actual labor market situation in these countries. This is because the devastating impact of the pandemic has disproportionately affected the informal sector, and a large proportion of the population working in that sector lost their jobs and are not accounted for in official unemployment numbers. In other words, the actual impact on the labor market is probably higher than the estimates.

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The G20 European countries were the oasis in the desert as their labor markets absorbed the shock of the pandemic well, and the countries managed to contain the unemployment rates at pre-COVID levels. The European Union saw only a modest increase in unemployment after the region was hit by the second wave of infection (after September 2020), but Europe's response to the crisis supported the labor market during those unprecedented times.

Figure 1. The unemployment rates in G20 countries since December 2019

		Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Americas	Brazil	11.0	12.2	13.3	14.6	13.9	14.7
	Argentina	9.7	10.0	12.5	11.9	11.8	
	Canada	5.7	6.4	13.1	10.1	8.8	8.4
	United States	3.6	3.8	13.1	8.8	6.8	6.2
	Mexico	3.5	3.5	4.8	4.9	4.5	4.5
Europe	Germany	3.2	3.6	4.2	4.5	4.6	4.5
	Italy	9.8	9.0	8.5	9.9	9.9	10.5
	France	7.8	7.6	7.0	8.9	7.7	
	EU	6.6	6.5	7.0	7.8	7.5	7.4
	United Kingdom	3.8	4.0	4.1	4.8	5.1	4.8
	Turkey	13.3	12.9	13.4	13.3	12.8	12.9
APAC	Russia	4.6	4.7	6.0	6.3	6.1	5.7
	Australia	5.2	5.2	7.0	7.1	6.8	6.0
	South Korea	3.6	3.7	4.1	3.8	4.3	4.4
	China	3.6	3.7	3.8	4.2	4.2	3.7
	Japan	2.3	2.4	2.7	3.0	3.0	2.8
	Indonesia	#N/A	4.9	#N/A	7.1	#N/A	6.3
	India	7.7	7.8	17.8	7.3	7.5	6.7
	Saudi Arabia	5.7	5.7	9.0	8.5	7.4	
Africa	South Africa	29.1	30.1	23.3	30.8	32.5	32.6

Color Code Assumptions

	Decline by over 1-1.4% from baseline (Dec 2019)
	Sharp deterioration from baseline, >1.4% (Dec 2019)
	No significant / marginal change

Note: Data for Indonesia has been compared with September 2019 as they report employment data bi-annually.

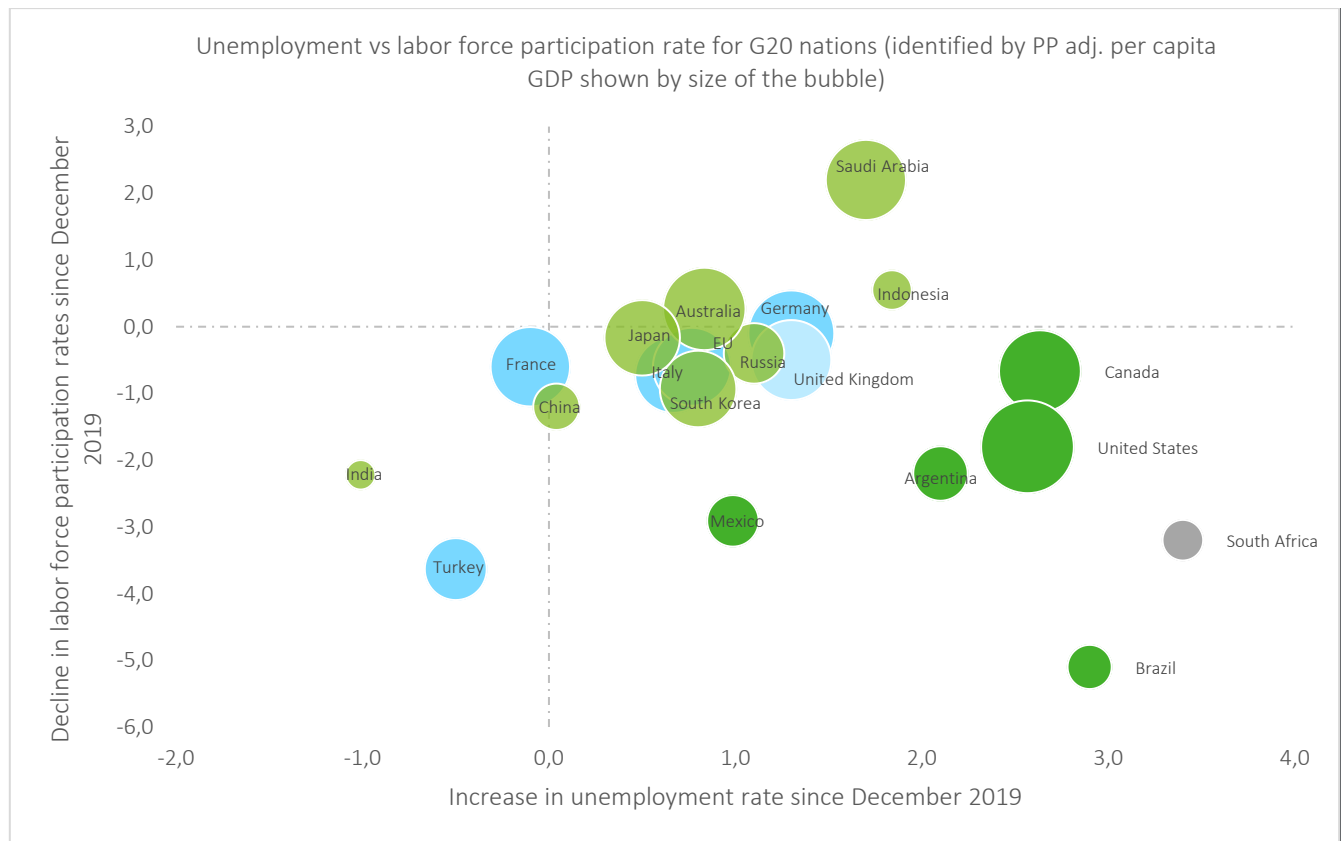
Source: National sources compiled by Haver Analytics, May 2021. Data for India has been sourced from CMIE, April 2021.

Most G20 countries experienced a substantial rebound in their labor markets from the spring/summer lows of 2020, but they continue to have higher rates of unemployment than they did pre-pandemic. Furthermore, many of these countries experienced a significant drop in labor force participation over the course of the year. Figure 2 shows the interplay between the changes in the unemployment rates and changes in labor force participation (with Purchasing Power Parity (PPP) adjusted for GDP per capita, indicated by the size of the bubble). There is much variation in the results.

For example, Brazil and Italy—two countries that continue to be hard hit by the pandemic show very different outcomes. Brazil saw the unemployment rate rise by 2.9 percentage points and the labor force participation rate fall by 5.1 percentage points. Italy, on the other hand, had only a minor uptick in the unemployment rate (0.4 percentage points) and only a slight decline in the labor force participation rate (0.7 percentage points).

Looking more broadly, labor markets in most of the Asian and European countries were better off relative to the Americas. Several APAC countries surpassed pre-COVID participation rates (Australia, Saudi Arabia, and Indonesia) despite higher unemployment rates. This suggests stronger confidence among job seekers.

Figure 2. Changes in unemployment and participation rates since the pre-COVID period (prior to 2020)



Note: Data for Indonesia has been compared with September 2019 as they report employment data bi-annually.

Asia

Europe

Americas

Africa

Source: National sources compiled by Haver Analytics, ILO estimates wherever national sources were not available April 2021.

Policy choices shaped the impact on the labor force

The difference in outcomes among the countries is primarily due to relative wealth (e.g., Brazil and South Africa are low-income G20 countries), the degree of economic dependence on sectors that require social interactions (such as tourism in Mexico, Turkey, and Italy), and the severity of the COVID-19 outbreak (e.g., Australia and Indonesia had lower infection rates). But policy choices also played a role.

All G20 countries had versions of lockdowns in place during 2020 that adversely impacted labor markets. However, the duration and severity of the lockdowns, and degree of citizen compliance with the restrictions imposed have differed among the countries, partially explaining the variations in the impact on the labor market. In addition, different G20 governments took varied policy approaches to provide support to individuals, industries, sectors, and businesses that were hit hard by the policy measures taken to control the pandemic spread. These approaches will likely shape not only labor force participation in general, but also the role of women in the workforce post-pandemic.

Maintaining the employee/employer relationship or support to the individual

Countries have taken extraordinary and varied steps to support their economies. Some have provided direct income support to the hardest hit populations and businesses, while others provided indirect financial support such as extending the moratorium on loans, or temporarily changing labor regulations to suspend the layoff of employees.

Europe showed agility in managing the crisis and stood out among other regions in almost all policy parameters. Be it in mobility restriction compliance, or the extent to which job retention schemes were employed, Europe's policy measures were differentially swift and efficient. For example, a study by the European Central Bank (ECB) suggests that unemployment increased more slowly in the EU thanks to the high uptake of job retention schemes (in the form of short-time work and temporary layoffs) even though employment and total hours worked fell by the sharpest rates on record.⁴

While some job retention schemes were utilized (for example in the airline sector), the United States took its traditional approach and relied on unemployment insurance, albeit an expanded scheme in terms of duration and dollar amount. As a result, several employees affected during the pandemic received financial support to deal with the crisis, but the overall labor market weakened with people dropping out of the labor force in large numbers.

Women in the workforce

Early in the pandemic, there were concerns about rising gender disparity as women dropped out of the labor force at a rate faster than men. Women were thought to have borne the brunt of the pandemic as families were faced with difficult choices due to closed schools and childcare facilities during the pandemic.⁵ With the sudden mobility restrictions imposed by several countries, dealing with online schooling or taking care of dependent family members became a challenge for families, even for those who had the option of teleworking.



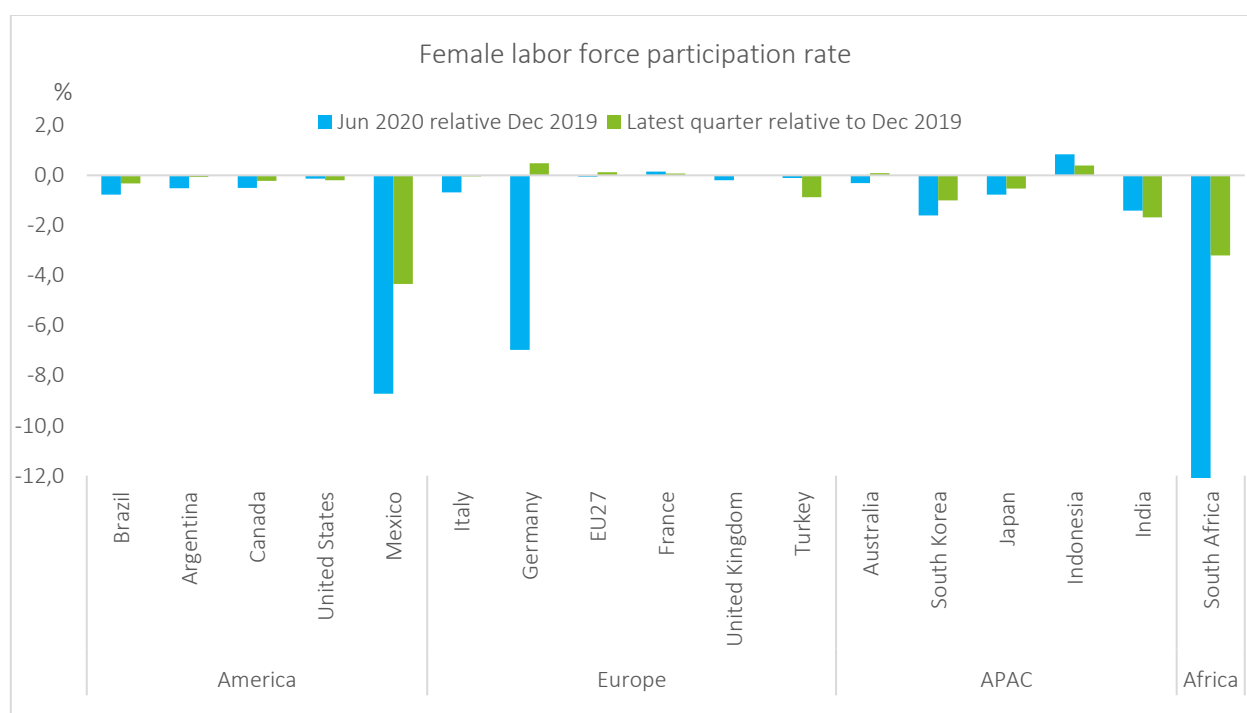
⁴ Robert Anderton, Vasco Botelho, Agostino Consolo, Antonio Dias da Silva, Claudia Fornoni, Matthias Mohr and Lara Vivian, "The impact of the COVID-19 pandemic on the euro area labour market," Published as part of the ECB Economic Bulletin, Iss 8/2020. https://www.ecb.europa.eu/pub/economic-bulletin/articles/2021/html/ecb.ebart202008_02~bc749d90e7.en.html. To be noted that in the euro area those affected by short-time work schemes or temporary lay-offs remain, in most cases, on the payroll and are thus not considered unemployed.

⁵ <https://www.weforum.org/agenda/2020/09/covid-19-gender-inequality-jobs-economy/> and <https://fortune.com/2021/02/13/covid-19-women-workforce-unemployment-gender-gap-recovery/>

As shown in figure 3, there was a more than proportional fall in female labor force participation for almost all the G20 countries at the peak of the pandemic (June 2020) relative to pre-pandemic levels. It appears that to deal with unexpected disruptions, more women dropped out of the labor force than men during the initial pandemic phase. One contributing factor to this could be that jobs in the services sector such as food, retail, and recreation were hit disproportionately due to social distancing norms and social mobility, with a majority of such jobs taken up by women.⁶

While the decline in female labor force participation was modest in advanced G20 countries, as tracked by the most recent data shown in figure 3, a few emerging countries were hit harder (Indonesia being the exception). Mexico and South Africa saw the ratio drop by more than 10 percentage points within six months of the COVID-19 pandemic. This could be because of unequal access to digital infrastructure and poor financial inclusion among women in a few of these emerging countries.

Figure 3. Changes in the labor force participation rate of women



Note: Data for Indonesia has been compared with September 2019 as they report employment data bi-annually. Data for Argentina, Italy, and the EU, were available till September 2020 at the time of writing.

Source: National sources compiled by Haver Analytics, EUStat, and ILO wherever national sources were not available, April 2021.

With the gradual phasing out of mobility restrictions and the reopening of schools and childcare centers, many women have rejoined the labor force in all G20 countries following the lows of June 2020, easing early concerns about the pandemic's adverse impact on gender equality. However, the recovery dynamics have differed. While the advanced countries have seen a reasonable bounce back in female labor force participation, a few of the emerging countries continue to see a substantially lower female participation rate than pre-COVID levels.

⁶ <https://www.weforum.org/agenda/2020/09/covid-19-gender-inequality-jobs-economy/>

Several governments introduced policy changes specifically aimed at easing the burden of dealing with unforeseen family care needs. Many governments provided child benefits, paid or unpaid family leaves for parents with children below a certain age, compensated firms that allowed employees to take leave on payroll, and even modified the dismissal regulations temporarily. These targeted policies helped several countries address the rising challenge of gender inequality. Conversely, the lack of such inbuilt policy support in certain G20 countries dampened the female participation recovery for the rest of the year (after June 2020).

Building the future workforce

Despite differences in approaches, in general government policies and schemes in G20 countries have helped contain damage to the labor market. However, workforce troubles are far from over and the current measures may not be enough to tackle the challenges that are yet to come. As the world steps into a new normal, there will be a reallocation of jobs and realignment of skills. It is possible that many employees may have lost their jobs permanently (especially among the low and semi-skilled workers) to rapid automation, digitization, and structural changes accelerated by the pandemic. In addition, those who have been unemployed for a longer duration may face skills erosion. Governments will have to proactively work toward upskilling and reskilling to address the rising skills mismatch and prepare their workforce for the future. In addition, governments should support the rising trends of teleworking and build infrastructure to enable remote working. The new normal presents an opportunity for governments to consider policies that enable access to talent from anywhere, and promote an inclusive workforce, amongst others.

From B20 to G20 to national context: How are priorities applied at each level?

The G20's commitments and joint approaches should remain ambitious and with a particular focus on follow-up and implementation at the national level. IOE has regularly monitored the uptake of B20 employment and education recommendations by G20 Labor Ministers, the implementation of G20 commitments in G20 countries and the relevance of the G20 at national level.

IOE has adopted a scoring process to assess the G20 uptake of B20 recommendations, based on an analysis of the G20 Labor Ministerial Declarations. The uptake has been classified into four categories:

1. The qualitative assessment of “Inadequate” indicates that the G20 has not addressed the issue at all (i.e., 0 points were given).
2. A score of “Poor” indicates that the G20 has, at minimum, taken notice of the subject, but little or no action has been taken in response (i.e., one point assigned).
3. A score of “Fair” illustrates that the G20 has recognized the business recommendation and has initiated at least some steps in response (i.e., two points had been achieved).
4. A score of “Good” means that the G20 has effectively addressed the business recommendation (i.e., three points were attributed for having achieved all three scoring criteria – taken notice, initiated some action, and effectively addressed).

Uptake of B20 recommendations continues to be limited.

Using this methodology, the uptake of the B20 Employment and Education recommendations for the years 2010-2017 was consistently “fair”, with the exception of the Chinese G20 Presidency in 2016, which has an overall score of “good”.⁷ In 2021, the uptake of the B20 recommendations for the years 2018-2020 were monitored and assessed. As in previous years, the uptake continued to be “fair” with 1.9 points on average for 2018, 2.0 points for 2019 and 1.9 points for 2020.

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Fair (2.2)	Fair (2.0)	Fair (2.2)	Fair (2.4)	Fair (1.6)	Fair (1.8)	Good (2.6)	Fair (2.0)	Fair (1.9)	Fair (2.0)	Fair (1.9)

However, as in previous years, the uptake has not been even across the B20 Employment and Education recommendations. The uptake has been much stronger in areas such as skills development, education and training, and female and youth employment. In other key areas, such as promoting diverse forms of employment, regularly assessing the impact of regulation on job creation, or promoting migration policies in line with labor market needs, the uptake has been rather poor.

⁷ “Ten years on: The G20 Employment Process—Successes, Challenges and Impacts”; Deloitte, IOE, B20 Argentina (2018)



2018 Uptake of B20 recommendations by the G20

Support entrepreneurship and innovation.	0
Promote diverse forms of work.	2
Strengthen inclusiveness of labor markets and address conditions that encourage the informal sector.	3
Foster labor migration in line with labor market needs.	1
Close basic education gaps to promote a level playing field for all future labor market participants. Promote and support lifelong learning at every age.	3
Upgrade education systems to align with tomorrow's labor market needs. Embrace new digital learning models and technologies to improve teaching techniques and environments.	2
Optimize the use of and access to labor market data and intelligence.	3
Overall score	Fair (1.9)



2019 Uptake of B20 recommendations by the G20

Establish innovation-friendly frameworks for digital trade, in which entrepreneurs and self-employed are able to transform ideas into businesses and operate more easily.	1
Realize open, dynamic, and inclusive labor markets by making labor legislation more flexible as appropriate, while making safety nets strong and portable.	2
Focus on labor market formalization through the creation of diverse forms of work, enforcement of labor rules.	2
Increase access to lifelong learning and promote sharing of best practices in upskilling/reskilling of existing workers to adapt to the changing workplace and technology.	3
Overall score	Fair (2.0)



2020 Uptake of B20 recommendations by the G20

Coordinate global action to ensure a safe economic and employment recovery.	3
Strengthen inclusiveness, dynamism and diversity of formal labor markets.	2
Incentivize the informal sector to formalize.	3
Promote education for entrepreneurship.	3
Develop and implement ambitious support strategies for entrepreneurs.	2
Facilitate access to international markets and finance for SMEs and entrepreneurs.	0
Upgrade education systems to align with future labor market needs.	2
Embrace new learning models and technologies to improve teaching techniques and environments.	1
Build lifelong learning systems that are adapted to adult needs.	1
Overall score	Fair (1.9)

The implementation of G20 commitments at national level

When it comes to the implementation of G20 commitments at the national level, the results are also “fair” between 2018 and 2020, with an average score across G20 countries of 1.9 in 2018, 1.7 in 2019 and 1.55 in 2020. These assessments are based on the follow-up of commitments in the G20 National Employment Plans (NEP), which every G20 country must submit. Recognizing that there are huge differences between countries which rank, for instance, for the year 2020 from 0.5 points to 2.75 points, these results underline the need to vastly improvement the implementation of G20 commitments at the national level.

This is reflected also in responses from representative employer and business organizations in G20 countries. When asked whether the priorities set out in their country's G20 NEPs are the right ones to tackle employment challenges, an average 6.6 points out of 10 points was given. Moreover, respondents said the chosen measures in the NEPs have not been ambitious enough to address the priorities fully (6.3 out of 10 points). The challenge is not only that the measures taken by governments appear to be falling short of addressing the priorities, but they are also not being fully implemented (6.3 points out of 10).

Social Partners need to be more involved in NEPs

The need for social dialogue is constant. Based on the responses from employer and business organizations, more attention needs to be paid to social dialogue. When asked whether social partners were sufficiently involved in the development and implementation of the NEP, an average score of 6.4 out of 10 points was given, indicating that governments are not properly engaging social partners in the follow-up of G20 commitments at the national level.



Conclusions

The impact of COVID-19 has drastically highlighted the need for bold and ambitious reforms. The performance of labor markets during the crisis were the result of policy choices. A swift and sustainable recovery will depend on proper labor market and education frameworks. This is even more important as many employees are in danger of losing their jobs permanently to rapid automation, digitization, and structural changes accelerated by the pandemic.

There is no need to re-invent the wheel. In many ways, “building back better” means to undertake the actions already identified long before the onset of the pandemic. The G20 has agreed in the past on important policies, such as the G20 Entrepreneurship Action Plan, the G20 Structural Reform Agenda and the G20 Skills Strategy. These commitments need to be turned into concrete actions in all G20 countries.

The impact of the G20 at the national level has been noticeable in the last three years (6.8 out of 10 points). This is progress, but this monitoring report highlights that the G20 is not a driver of reform for job creation and economic growth. Looking ahead, as the world recovers from the employment and economic impact of COVID-19, the G20 must fully exploit its potential by setting out more ambitious and relevant commitments and strengthening follow-up at the national level. If this is successfully done, the G20 could undoubtedly have its most impactful decade to date.



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