

Looking Ahead at the Jobs Horizon: Projected Long-Term Labour Market Effects Due to the COVID-19 Pandemic and Humane Ways to Prepare for and Respond to Them

The availability of jobs is a crucial part of a well-functioning human economy. When shocks and crises hit, job availability is often affected in the short term and sometimes longer term as well, as has been observed following the 2008/2009 financial crisis. This paper will analyse probable ways that the COVID-19 crisis will affect labour markets worldwide in the longer term and will present policy suggestions for preparing for and responding to these projected changes in humane ways, in the light of the principles of Catholic social doctrine of promoting human dignity, the common good, solidarity, and subsidiarity.

The impact on employment

In the short term, the pandemic has already caused untold hardship among workers worldwide, with a far greater and faster employment impact than the 2008/9 crisis. In July 2020, the International Labour Organisation (ILO, 2020) estimated that in the second quarter of the year alone, around 305 million jobs were lost, equivalent to a reduction of just under 11 per cent of hours worked. While initially occurring in Asia and the Pacific, job loss spread to the Americas, Europe, and Central Asia too.

As the ILO points out, the effects of the virus are harshest on the most vulnerable, increasing insecurity and anxiety for already struggling segments of society. The pandemic poses immediate threats to the livelihood of three quarters of the two million workers in the world's informal economy who are outside systems of social protection and health care. The prospects for young people, too, have been critically harmed by the pandemic as the difficulties they face in entering work are exacerbated, and their training and education has been disrupted. The crisis also disproportionately affects those whose work or education cannot be carried out remotely (Torry, 2020).

The pandemic will have effects in the longer term too, which cannot yet be estimated. However, it is possible to glean some insight from the effects of the 2008/9 financial crisis. ILO data illustrate that the global employment rate started to decline from 62.5% in 1991, holding steady between 2003 and 2008 before continuing its decline in 2008 to reach 57.4% by 2019. Global unemployment, too, rose from 5.6% in 2008 to 6% in 2009 and did not return to pre-crisis levels until 2014. Of course, these global data disguise regional trends; Northern Africa was hardest hit, followed by Northern America and Europe where, at 11.2%, the unemployment rate was double the global rate in the years immediately after the crisis (ILO, n.d.).

The COVID-19 crisis is likely to have similar effects on labour markets, in turn driving up poverty and inequality. Indeed, the World Bank forecasts that global poverty is likely to rise for the first time since it began its descent in 1998, particularly among those in fragile countries and remote areas. The crisis is hitting the poorest in particular as the impact of job loss, reduced remittances, price increases, and interrupted health care and education has a much more severe effect upon them (World Bank, n.d.). Even if poverty has declined in recent years, income inequality has not. As Milanovich Oxfam (2016) and others point out, lower incomes have largely stagnated over the past forty years, while those of the richest 1% have skyrocketed.

Governments in many countries have already stepped in to assist those finding themselves suddenly unemployed or underemployed, but governments and businesses will also have to plan for the long term.

The implications of new forms of work

Lasting declines in full-time employment that were observed in the years after the 2008/2009 financial crisis could also be mimicked following the COVID-19 crisis. Two job-related dynamics that were also observed following the financial crisis could intensify further: increased automation, and the burgeoning gig economy.

As Mark Muro, a senior fellow and policy director at the Brookings Institution's Metropolitan Policy Program in Washington, D.C., recently conjectured: 'any coronavirus-related recession is likely to bring about a spike in labor-replacing automation' (Molla, 2020). He specifically states that "a firm that might have been thinking about automating is under a whole lot of pressure to do that, especially in the first two years of a new downturn. And that's what a lot of research over the last few recessions has shown... The other thing is that new technology, meaning automation but also enterprise software, is no longer nearly as expensive as it was a decade ago, say around the financial crisis" (Molla, 2020). Automation is likely to proliferate especially in the food service, accommodation, middle-skill administrative, office, retail, and manufacturing sectors (Molla, 2020). However, it is not only production workers whose jobs are challenged by automation. Muro conjectures that 'there's likely going to be the insertion of new technological platforms that will change and really alter what normal is' (Molla, 2020). The risk for higher level jobs has risen compared to the 2008/9 crisis; as Muro points out: 'middle-skill and even higher-skill professional and white-collar work... may become more susceptible given the improvement of things like AI [artificial intelligence]. Our recent research has shown that AI is disproportionately utilized in white collar, middle management, or upper management areas' (Molla, 2020).

Alongside automation, employment based on freelance or 'gig' arrangements could increase further following the Covid crisis. The so-called 'gig economy' refers to the contingent workforce, that is, those whose work is not full-time but task or 'gig' driven. Ernst and Young explains that 'The gig economy is supported and accelerated by the rise of technology and customers who expect goods and services to arrive faster and more flexibly than ever before. In an effort to meet these demands, businesses and governments need access to highly skilled professionals

for short-term projects to drive innovation and rapid change... At the same time, workers are looking for work opportunities that offer greater flexibility and variety.' (EY Global, 2018).

Although the gig economy offers advantages such as increased flexibility and variety for the workers involved, it also has downfalls such as lack of job security and employment benefits including healthcare, sick leave, and retirement packages. While a few larger organizations do offer benefit packages to gig workers, these benefits are limited and are not always readily available or easy to access. In fact, research has demonstrated that gig workers have been disproportionately affected by the pandemic because many lack sick leave and other benefits and protections (Nagesh, 2020). In many instances, gig workers are not even entitled to government unemployment benefits (Simon, 2020).

Remote working – a COVID-19 opportunity?

Not all of the trends instigated by the pandemic can be seen as negative. As part of the new 'normal' after the Covid pandemic, many are speculating that a sharp increase in telecommuting, or teleworking, is here to stay (Guyot, 2020). 'Once effective work-from-home policies are established, they are likely to stick,' said Karen Harris, managing director of consultancy Bain's Macro Trends Group in New York (Bloomberg, 2020).

According to the BBC, results of a recent US survey indicate that 59% of remote workers would like to continue to work remotely as much as possible, even after business resumes normal operations (Bishop, 2020). Some are looking to Holland and Finland as examples of countries already ahead of the curve with regards to remote work before the pandemic. Barclays and Twitter are among the larger companies that have suggested that they are planning to downsize office space and promote remote work policies after the pandemic (Bishop, 2020). In the realm of healthcare, COVID-19 has 'pushed the inevitable telemedicine revolution forward by a decade, if not more, according to health care leaders' (Facher, 2020), with healthcare providers using technological platforms to serve patients remotely.

This trend towards greater telework could have a positive impact on the environment, traffic congestion (Boston Globe, 2019), and quality of life without negatively affecting productivity (Cebr, 2019). This could also benefit people with disabilities who find it more difficult to commute to work, as well as parents who juggle their work and family responsibilities. So many environmental benefits were observed in the city of Milan during the pandemic that the city has decided to permanently alter its road network to make room for pedestrians and cyclists and reduce traffic congestion (Hughes, 2020). According to the European Environment Agency, 'traffic congestion has fallen 30-75% and polluting nitrogen dioxide dropped 24% in March compared with the previous four weeks' (Hughes, 2020).

Fabrizio Pagani, former adviser to the Italian Prime Minister, expects lasting 'changes to everything from online schooling and distance learning to industrial strategy as existing business models are reworked' (Bloomberg, 2020). Other

experts predict changes to the world's manufacturing supply chains and healthcare reform and investments (Bloomberg, 2020).

The bottom line is that changes are expected in many sectors as a result of this worldwide pandemic, and as former International Monetary Fund (IMF) historian James Boughton has said, 'Only in a crisis are governments able to rally people to accept necessary but painful reforms... Every crisis is also an opportunity' (Bloomberg, 2020). Thus, this current world crisis could also present an opportunity to promote some lasting positive changes.

Some suggestions in the light of Catholic Social Teaching

With these possible future trends in mind, and in the spirit of the principles of Catholic social doctrine of furthering human dignity, the common good, subsidiarity, and solidarity, below are some policy suggestions for a smoother and more humane return to a fully operational world.

Protecting Human Dignity

COVID-19 brings to mind Pope Leo XIII's assertion in *Rerum Novarum* (1891) that "The condition of the workers is the question of the hour". This encyclical urges us to recall the inequality of power between workers and capital, which is likely to be exacerbated by the crisis. St John Paul II, too, reminds us of the need to protect workers' interests in the encyclical *On Human Work* (1981).

Protecting human dignity in the wake of the crisis must entail just wages as well as safe and decent working conditions. This applies particularly to those in the informal economy whose situation should be regularised to render them eligible to participate in the social and employment protection systems of their communities. Women are particularly affected since they predominate in the informal economy. It also applies to those self-employed individuals who are, in fact, in disguised employment and left to bear unilaterally the social cost of their employment. Respect for dignity should apply at every stage of each supply chain, as Pope Francis reminded us in May 2020 when calling for respect for the rights of farmers, of whom many are vulnerable migrants. Discriminatory behaviour in recruitment, retention, or termination must be avoided. All workers should have access to affordable healthcare. The dignity of healthcare and other front-liners must also be upheld, not least through the provision of suitable protective equipment.

Governments may also implement policies to encourage telework where possible (like tax credits for companies that offer it). According to research by the Council of Economic Advisers in the USA, 'employers that have adopted flexible workplace practices cite many economic benefits such as reduced worker absenteeism and turnover, improvements in their ability to attract and retain workers, and other positive changes that translate into increased worker productivity' (Council of Economic Advisers, 2014). At the same time, attention needs to be given to the mental health aspect of increased physical isolation (Panchal, 2020).

It is also important to enact or strengthen regulations and social safety nets to protect those who partake in the growing 'gig economy' or 'contingent workforce' (sick leave, healthcare coverage, retirement plans, emergency unemployment assistance etc.).

Promoting the Common Good

Though released at the height of the 2008/9 financial crisis, Pope Benedict's *Caritas in Veritate* reads as true today. Pope Benedict spoke of the Church's concern about the 'complexity and gravity' of the economic situation at the time, but called on the faithful to be confident and hopeful, and to use the crisis as an 'opportunity for discernment in which to shape a new vision for the future'.

This future is, as noted, likely to feature increased automation and decreased job security. One (among many) important challenge to the common good is how to ensure that the soaring profitability from the adoption of new technologies across many sectors will be shared justly between capital, labour, and society more broadly. It is not only profit sharing that matters, though; the impact of these technologies must be harnessed in a way to promote human flourishing.

Governments should ensure that new technologies such as those involving artificial intelligence (AI) and robotics are rolled out in a precautionary way; regulations will likely be helpful in this sector. Regulations need to be crafted in such a way to strike a balance that does not stifle growth and innovation but at the same time safeguards human dignity and the common good.

Research and development in telecommunications and IT should be encouraged, in order to enhance the telework/telehealth experience from the perspective of both employers and employees, educators and their students, healthcare workers and their patients. For example: improve security for those companies handling sensitive information remotely and improve software to enable a productive telework/telehealth/tele-education experience for all parties involved. Physical places of work may need to be redesigned. Again, attention needs to be given to the mental health aspect of increased physical isolation.

As has been seen, the crisis is likely to eliminate millions of jobs, rendering economies less productive and offering far fewer prospects to the workers of today and tomorrow. Governments will be challenged to make good use of fiscal and monetary policy as well as to offer lending and financial support to the worst affected sectors, such as employment retention measures and job creation incentives and tax/other relief for enterprises. It is essential that such policies are done in an equitable, efficient, and sustainable manner and that their effects are monitored and evaluated on a regular basis.

In addition to stimulating job creation and retention, it is also paramount for governments to encourage and support education and training for workers in all segments of society who have been, or may be, displaced from their jobs. Training in sectors that are likely to grow and which have a positive impact on society are to be particularly encouraged, such as healthcare, science, and technology.

In fact, if there is one major lesson that COVID-19 has taught us, it is the crucial importance of an accessible health care system for all, not only for individual wellbeing but to protect communities more broadly. Governments and private institutions will need to analyse their existing health care systems to try to weed out inefficiencies and inequalities while at the same time increasing medical/scientific research. Many countries will have to amplify their disaster readiness plans (Facher, 2020). From the perspective of human dignity and the common good, effective and inclusive healthcare policies are paramount.

Solidarity and Subsidiarity

The anticipated rise in global poverty, after a declining trend of more than 20 years, must be actively monitored and addressed. We cannot allow the gains that have been made to be wiped out by the crisis. The discriminatory effects of the crisis also remind us of Pope Francis' prophetic words in *Evangelii Gaudium*, that 'inequality kills'. As His Holiness reminds us in this Encyclical, we need to foster the 'convictions and habits of solidarity' but also to attack the structural causes of inequality for any lasting change to come about.

At this time of crisis, and in addition to all the foregoing, solidarity with workers at risk is critical – especially those on lower incomes in care, construction, manufacturing, processing, agriculture, and domestic work. It is essential that they are ensured access to essential services and benefits, such as healthcare and unemployment assistance.

Lastly, the principle of subsidiarity requires the recognition of the importance of social dialogue to healthy labour markets. Capacity building among organisations representing employers and workers should be strengthened, as should social dialogue and the quality of labour relations. While this is true not only in a crisis, the importance of the social partners in reaching equitable and sustainable compromises during times of special hardship cannot be underestimated.

On a concluding note, one trusts that enterprises, educational institutions, NGOs, and governments alike will find sound and benevolent solutions for ensuring stability and wellbeing after the COVID-19 crisis. Not only are sound policies that respect human dignity, the common good, solidarity, and subsidiarity good for individuals but they also reinforce the stability of our economies and societies. The greater the challenge, the greater is the call to action, and this pandemic is certainly going to require both discernment and action to mitigate the costs of the crisis and to glean from it as much as possible to ensure a better world for tomorrow.

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