JobsWatch COVID-19

WORLD BANK GROUP

EARLY LABOR MARKET IMPACTS OF COVID-19 IN DEVELOPING COUNTRIES[1]

The economic crisis caused by the COVID-19 pandemic sharply reduced mobility and economic activity, disrupting the lives of people around the globe. This brief presents estimates on the crisis' impact on labor markets in 39 countries based on high-frequency phone survey (HFPS) data collected between April and July 2020. Workers in these countries experienced severe labor market disruptions following the COVID-19 outbreak. 34% of respondents reported stopping work, 20% of wage workers reported lack of payment for work performed, 9% reported job changes due to the pandemic, and 62% reported income loss in their household. Measures of work stoppage and income loss in the HFPS are generally consistent with GDP growth projections in Latin America and the Caribbean but not in Sub-Saharan Africa, indicating that the phone survey data contributes valuable new information about the impacts of the crisis. Ensuring availability of such critical data in the future will require investments into statistical and physical infrastructure as well as human capital to set up Emergency Observatories, which can rapidly deploy phone surveys to inform decision makers.

The global coronavirus pandemic (COVID-19) has slowed economic activity as governments implemented lockdown measures, individuals reduced their mobility, and firms' production processes were disrupted. These broader shifts in the economy affected both the demand for labor and workers' willingness to work. The labor market impacts, like overall economic impacts, likely varied considerably across countries, based on initial economic and labor market conditions and differing policy responses.

The economic slowdown during COVID-19 led to adverse labor market impacts in both developed and developing countries. Understanding how the pandemic affected labor markets in the developing world in Spring 2020 is crucial as governments and other actors continue to develop responses. Yet there is little systematic knowledge about the labor market impacts of the crisis in developing countries due to lack of data. This brief is an early attempt to measure the initial labor market consequences of the crisis using harmonized data from high-frequency phone surveys. The measures derived from the HFPS data differ from macroeconomic projections and preliminary estimates from labor force surveys, and therefore provide additional insights into the immediate initial impacts in developing countries.

DATA AND METHODOLOGY[2]

This brief provides estimates on the early labor market impacts of the COVID-19 pandemic in 39 countries using high-frequency phone surveys (HFPS). Countries administered slightly different surveys and sampling frames also differed across countries. The World Bank's Data for Goals team harmonized these

[1] This brief is based on Melanie Khamis, Daniel Prinz, David Newhouse, Amparo Palacios-Lopez, Utz Pape, Michael Weber, "The Early Labor Market Impacts of COVID-19 in Developing Countries: Evidence from High-Frequency Phone Surveys." World Bank Policy Research Working Paper 9510, 2020.

[2] For a detailed description of the data and methods, including issues of representativeness and weighting, see Melanie Khamis, Daniel Prinz, David Newhouse, Amparo Palacios-Lopez, Utz Pape, Michael Weber, "The Early Labor Market Impacts of COVID-19 in Developing Countries: Evidence from High-Frequency Phone Surveys." World Bank Policy Research Working Paper 9510, 2020.

surveys to the extent possible. We use data from the first wave of the HFPS between April and July 2020 that were collected in the December 1 vintage of the harmonized data. The data contain 6 countries in Europe & Central Asia, 7 in East Asia & Pacific, 12 in Latin America & Caribbean, 2 in Middle East & North Africa, and 12 in Sub-Saharan Africa. 8 countries are low income, 17 countries are lower middle income, 10 countries are upper middle income and 4 countries are high income.

WORK STOPPAGES WERE COMMON IN MANY COUNTRIES

During the COVID-19 pandemic, a large share of workers stopped working in all countries (Figure 1a). Taking a simple average across countries, 34% of respondents reported stopping work. The average across countries in our data is 21% in the EAP region, 29% in the ECA region, 48% in the LAC region, 45% in the MENA region, and 26% in the SSA region. We note that the set of countries in our data is not representative of regions). There is significant variation, even within regions. For example, within the LAC region, at the lower end 30% stopped working in Chile and 36% in Costa Rica, while at the higher end 59% stopped working in Peru and 69% in Bolivia. In the SSA region estimated shares are as low as 8% in Madagascar and 11% in Burkina Faso and shares as high as 50% in Nigeria and 62% in Kenya.

Figure 1b shows that upper middle-income countries (41% on average) and lower middle-income countries (37%) had the most work stoppage. High income countries had 26% of respondents on average stop work, followed by low income countries at 19%. (We note that the set of countries in our data is not representative of country income groups).

In the LAC countries, respondents were also asked about whether they were planning to return to work if they stopped working. Figure 1c suggests that the majority of workers who stopped working were planning to return to work, though there is some variation across countries.

While variations across regions and countries occurred, a significant proportion of respondents stopped work in the early stages of the pandemic.

Work stoppages tended to be less severe in agriculture than in industry and services. Taking the simple average

FIGURE 1

Share Stopped Working by Country

A. By Region

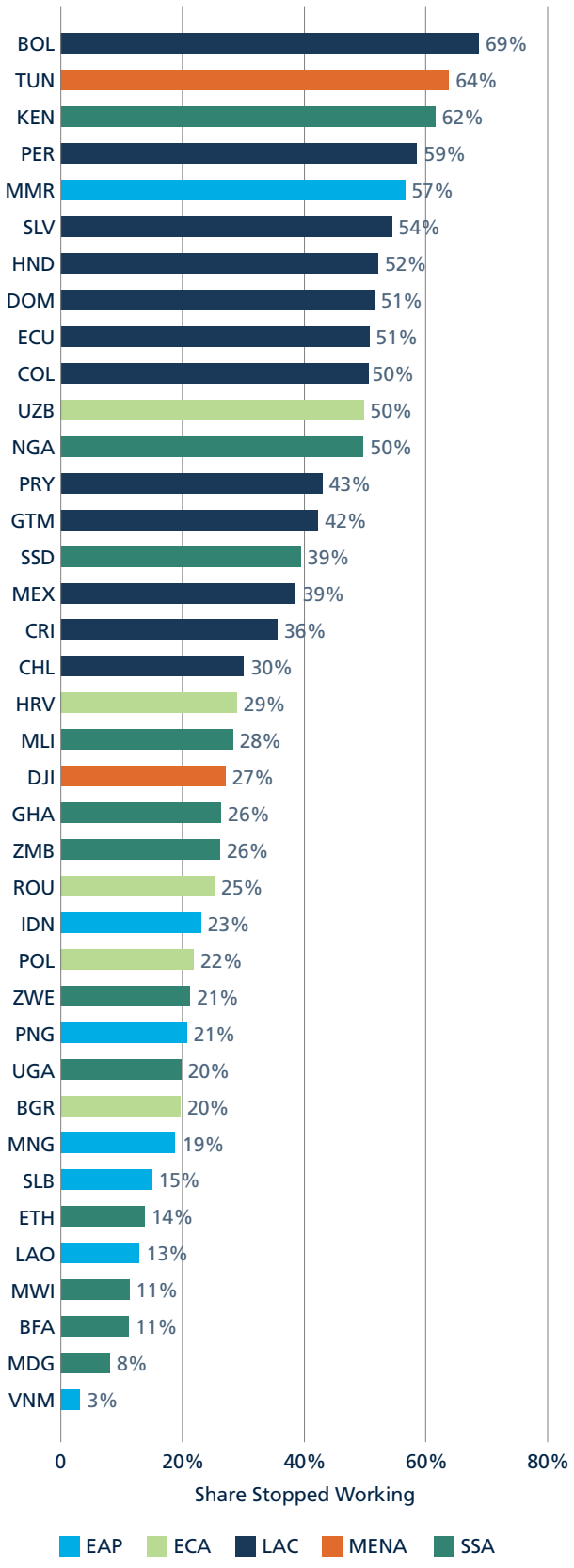
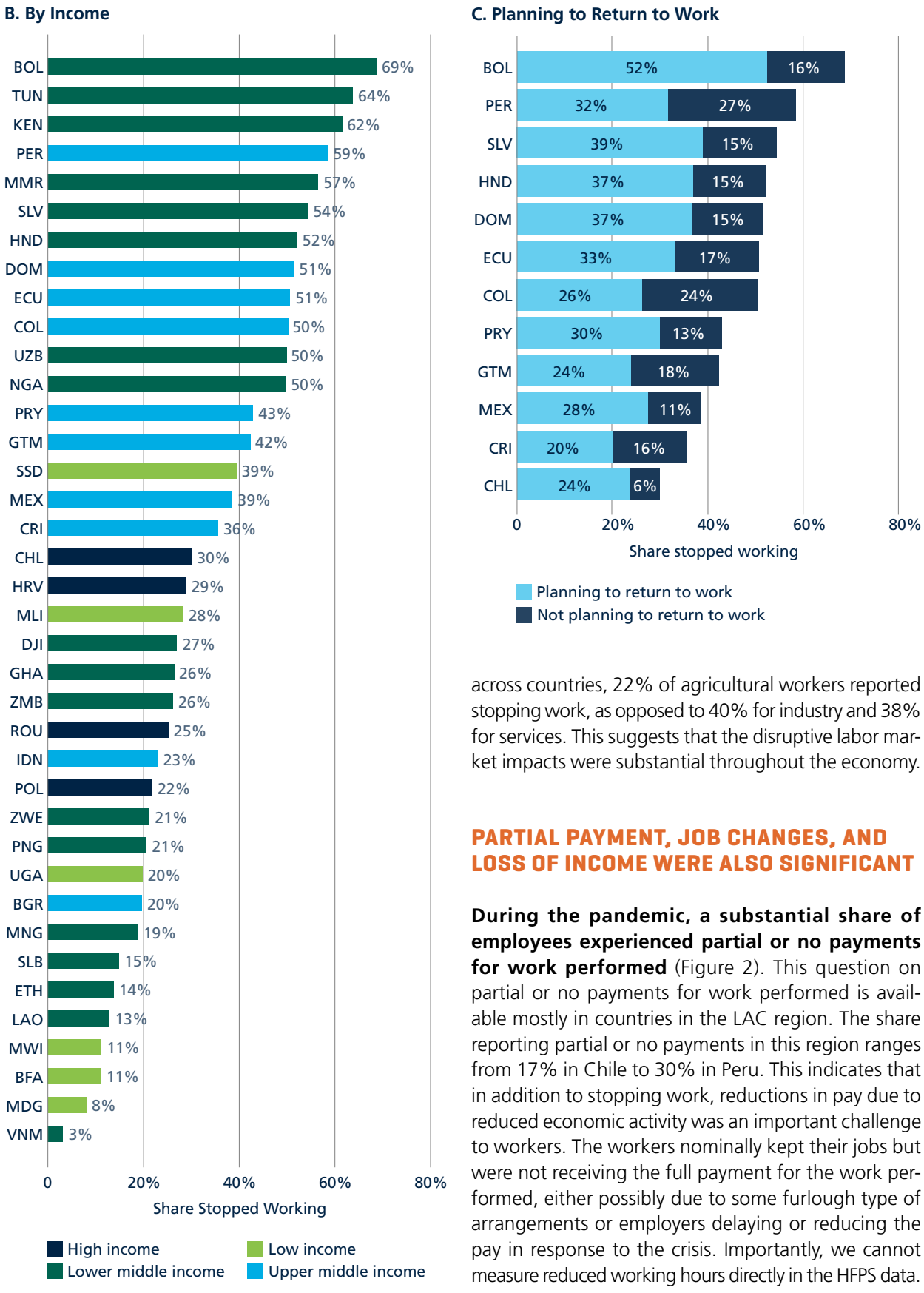


FIGURE 1

Share Stopped Working by Country



across countries, 22% of agricultural workers reported stopping work, as opposed to 40% for industry and 38% for services. This suggests that the disruptive labor market impacts were substantial throughout the economy.

PARTIAL PAYMENT, JOB CHANGES, AND LOSS OF INCOME WERE ALSO SIGNIFICANT

During the pandemic, a substantial share of employees experienced partial or no payments for work performed (Figure 2). This question on partial or no payments for work performed is available mostly in countries in the LAC region. The share reporting partial or no payments in this region ranges from 17% in Chile to 30% in Peru. This indicates that in addition to stopping work, reductions in pay due to reduced economic activity was an important challenge to workers. The workers nominally kept their jobs but were not receiving the full payment for the work performed, either possibly due to some furlough type of arrangements or employers delaying or reducing the pay in response to the crisis. Importantly, we cannot measure reduced working hours directly in the HFPS data.

FIGURE 2

Share of Wage Workers with Partial or No Payments

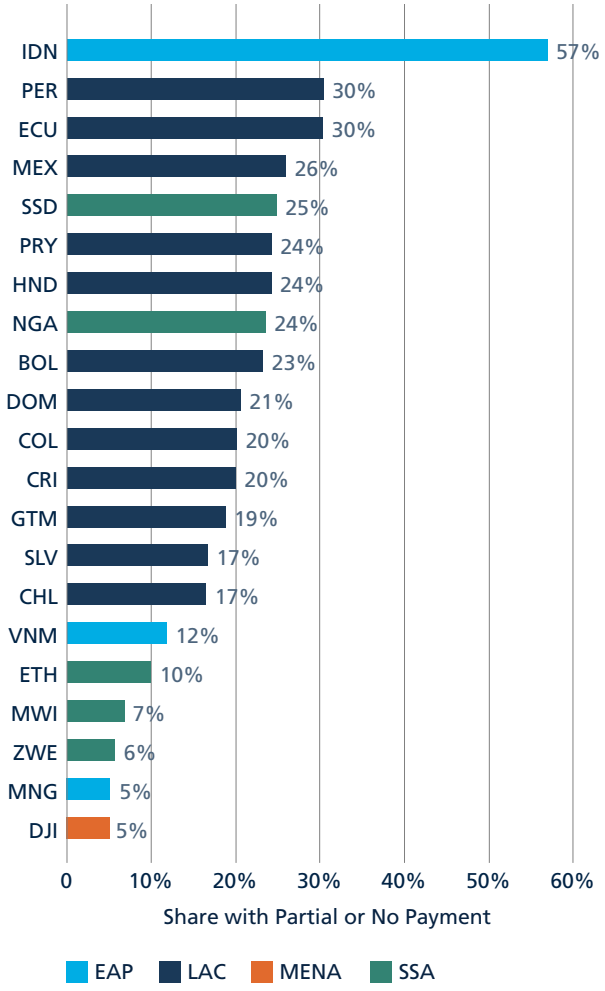
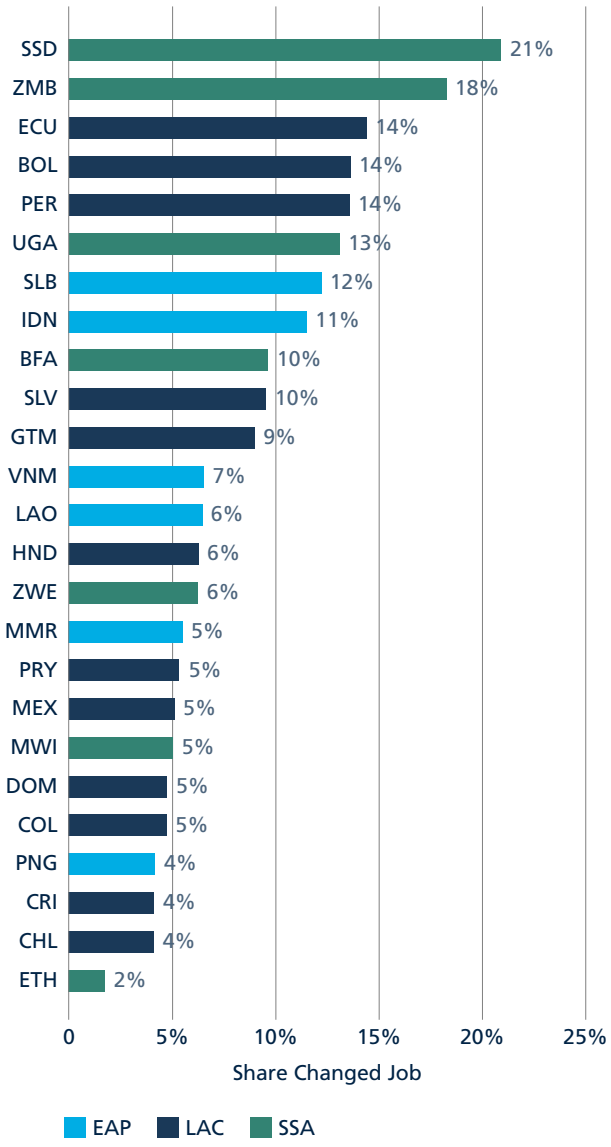


FIGURE 3

Share Changed Job During the Pandemic



The large disruption in the labor market is also apparent from the high share of workers changing jobs during the pandemic (Figure 3). Where data is available, job changing ranged from 2% to 21% in the SSA region and 4% to 14% in the LAC region. This could be an indication that some of the jobs that workers changed from where affected by the pandemic while the jobs that workers changed to were either new jobs or some type of self-employment or in sectors that were differentially affected by the crisis.

Labor market disruptions translate into income losses, but income loss is even more prevalent (Figure 4). Where data is available, we find that households report losing income. A high share of respondents reported total income loss (62%), as well as loss from farming (62%) and non-farming (75%) family businesses, and wage incomes (49%). The fact that more respondents report income loss in their household than the share reporting stopping work is likely because other sources of income from the respondent or other household members, including from family businesses are cut and because even respondents who do not stop work, often receive partial or no payments or had to change jobs.

INITIAL LABOR MARKET IMPACTS DIFFERED FROM GDP PROJECTIONS, ESPECIALLY IN SUB-SAHARAN AFRICA

Estimates of labor market disruptions line up well with macroeconomic estimates of economic impacts in the LAC region, but not in the SSA region (Figure 5). Using the change in the IMF's GDP growth

FIGURE 4

Total Income Loss

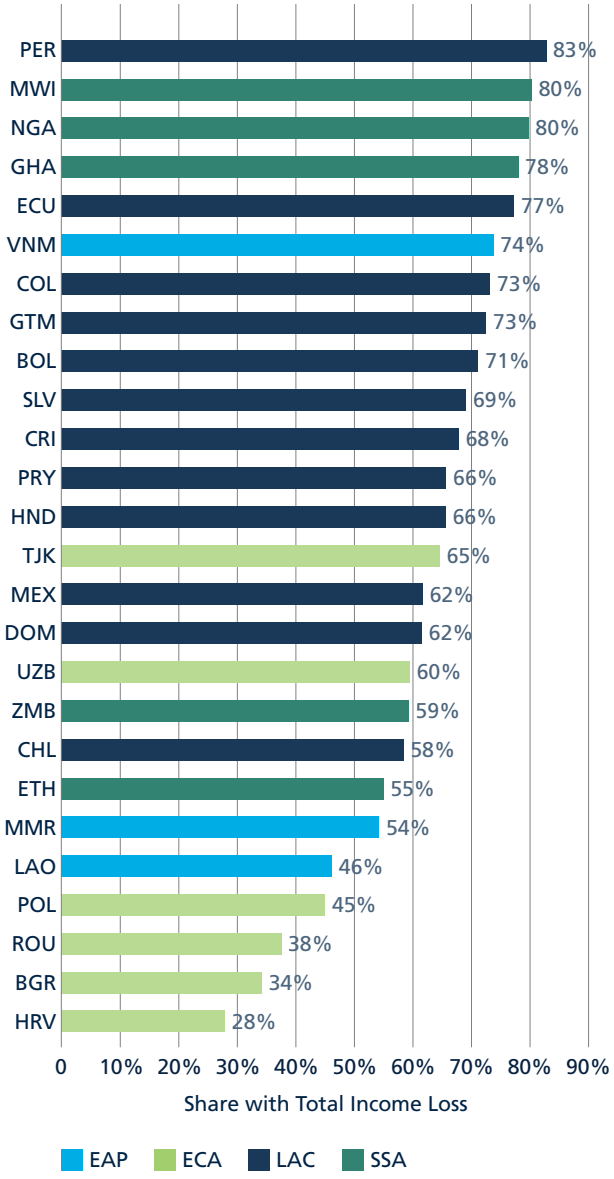
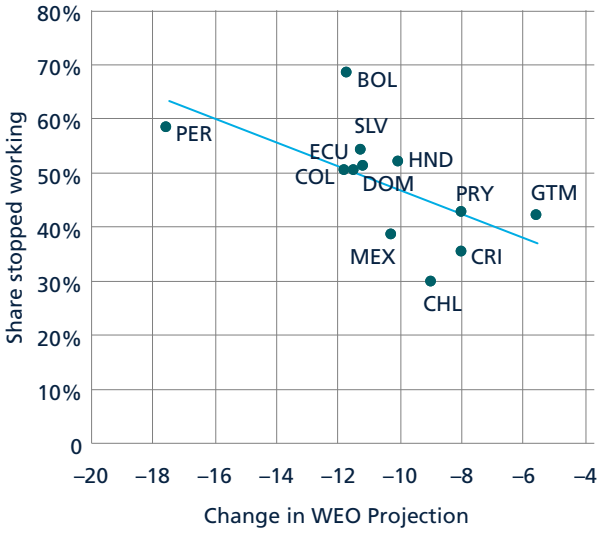


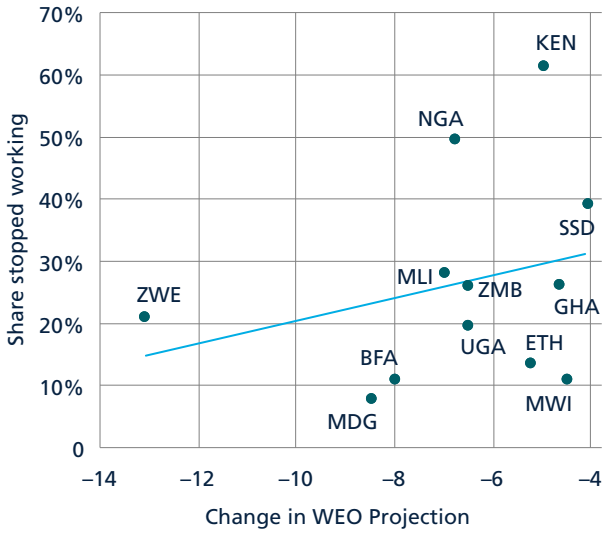
FIGURE 5

Stopping Work vs Change in GDP Projection

A. Latin America & Caribbean



B. Sub-Saharan Africa



projection between the October 2019 and the October 2020 World Economic Outlook (WEO), it appears that countries where the IMF downgraded the projection more have a higher share of respondents reporting stopping work in the LAC region (Figure 5a, $R^2 = 0.38$). In the SSA region, this relationship is weak, and countries with smaller declines in GDP growth tended to have greater incidence of work stoppage. (Figure 5b, $R^2 = 0.08$). This suggests that phone survey data is picking up labor market and economic impacts earlier and that are not typically incorporated into macroeconomic projections. One possible reason for the differences across regions, may be because of the prevalence of informal arrangements in the SSA region.

Overall, labor markets were severely disrupted by the pandemic in a wide swath of countries. Work was severely reduced, and the loss of employment and the overall economic impacts of the pandemic led to substantial income loss. Further disruption was apparent through partial or no payment of wage workers, job changes, and income loss. Macroeconomic projections do not capture the full impact of households, particularly in Sub-Saharan Africa. The data from phone surveys therefore contribute valuable information on how households in a broad cross-section of developing countries were affected by this severe shock.

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ENABLING NATIONAL STATISTICS OFFICES TO DEPLOY RAPID RESPONSE PHONE SURVEYS IN THE EVENT OF A CRISIS CAN PROVIDE TIMELY EVIDENCE FOR CRITICAL DECISION MAKING

The rapid deployment of phone surveys to measure the socio-economic impacts of COVID-19 was only possible because of an extraordinary effort around the globe. The collected data prove to be vital for decision makers to understand the impact of the crisis. To be better prepared for such rapid deployment when crises hit countries in the future, National Statistics Offices can invest now to improve the speed of deployment and quality of data. Investments in statistical infrastructure (e.g., the preparation of representative sampling frames for phone surveys), physical infrastructure (e.g., setup of phone centers) as well as human capital (e.g., establishment of capable units designing, implementing and disseminating results from phone surveys) will be needed. The establishment of such Emergency Observatories can be a game changer for policy making in the future.

This note was prepared by Melanie Khamis (World Bank and Wesleyan University), Daniel Prinz (World Bank and Harvard University), David Newhouse (World Bank), Amparo Palacios-Lopez (World Bank), Utz Pape (World Bank) and Michael Weber (World Bank) as part of the World Bank's JobsWatch Covid-19: Monitoring Labor Market Impacts and Policy Responses to The Pandemic in the Developing World (P174663; Michael Weber and David Newhouse, Task Team Leaders). This note is a joint product of the Jobs Group and the Poverty and Equity Global Practice. The authors would like to thank Sukti Dasgupta (ILO), Sangheon Lee (ILO), Truman Packard, and Nobuo Yoshida for helpful comments, and Benu Bidani, Ambar Narayan, Michal Rutkowski, Carolina Sanchez-Paramo, and Ian Walker for their guidance. The team is also grateful to the Poverty and Equity Global Practice and the Data for Goals group for collecting, harmonizing, and sharing the phone survey data, and to Denis Medvedev and Leonardo Iacovone for providing aggregate indicators from firm surveys. Aggregate indicators from the high frequency phone surveys are available at the High Frequency Phone Survey dashboard at: https://www.worldbank.org/en/data/interactive/2020/11/11/covid-19-high-frequency-monitoring-dashboard

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