



## THE EVOLVING LABOR MARKET IMPACTS OF COVID-19 IN DEVELOPING COUNTRIES

The early labor market impacts of the COVID-19 pandemic resulted in widespread disruption to livelihoods. Previous analysis showed that between April and July 2020, across a sample of 39 countries, an average of 34 percent of workers stopped work, 20 percent of employees experienced partial or no payments for work performed, and 9 percent changed jobs during the early part of the pandemic.<sup>1</sup>

This brief discusses how labor markets have evolved since the initial phase of the crisis in the spring and early summer of 2020. It uses harmonized data from high-frequency phone surveys (HFPS) conducted in 33 developing countries and provides information on the changing labor market impacts of the crisis in these countries from the initial phase of the pandemic in April 2020 through December 2020.<sup>2</sup>

The main findings are:

1. Employment recovered substantially between the second and third quarters of 2020. The average employment rate increased by 10 percentage points, consistent with increases in time spent at the office according to Google Mobility data.
2. There is little evidence of a continued large recovery in employment between the third and final quarters of 2020, with only a 2-percentage point increase during the last two quarters of the year.
3. The average share of households reporting income loss declined by 25 percentage points since the early phase of the crisis but remained high as an average of 40 percent of households reported losses in the third quarter.
4. Sectoral reallocation coincided with the re-opening of many economies and showed a net movement towards commerce and mining, manufacturing, public utilities, and construction. The share of employment in the commerce sector increased by 0.8 percentage points while the sector comprising mining, manufacturing, public utilities, and construction increased by 1.2 percentage points.

<sup>1</sup> Khamis, Melanie; Prinz, Daniel; Newhouse, David; Palacios-Lopez, Amparo; Pape, Utz Johann; Weber, Michael. 2021. The Early Labor Market Impacts of COVID-19 in Developing Countries: Evidence from High-Frequency Phone Surveys (English). Policy Research Working Paper No. WPS 9510; COVID-19 (Coronavirus) Washington, D.C.: World Bank Group.

<sup>2</sup> The data for this brief looks at countries that collected labor market information in at least two quarters. This is the case for 33 countries overall. For the main labor market indicator, “current work” with 27 countries covering quarter 2 and quarter 3 and 14 countries cover quarter 3 and quarter 4 (Figure 1). For 24 of these countries Google Mobility data and current work were available as well (Figure 2a) and for 9 countries for the last two quarters (Figure 2b). For 18 of these countries complete total income information for comparing pre-pandemic and the last survey were available (Figure 3). For 21 of these countries the current sector of work was available (Figure 4).

## THE LABOR MARKET IMPACT: EMPLOYMENT RECOVERS

As a measure of labor market activity, this section looks at respondents' answers to the question "Last week, that is from Monday [DATE] up to Sunday [DATE], did you do any work for pay, do any kind of business, farming or other activity to generate income, even if only for one hour?" and aggregates the responses across countries and quarters, with appropriate survey weights.

Across the entire set of countries, the share of respondents that are "currently working" increased substantially from the second to the third quarter (Figure 1). For the 27 countries that have information on "current work" for quarter 2 and quarter 3, 54 percent reported currently working in quarter 2 while in quarter 3, 64 percent reported currently working, which amounts to a significant increase (10 percentage points). For these countries, 68 percent of respondents reported in quarter 2 to have worked before the pandemic which constitutes a 14 percentage point difference to working in the second quarter of 2020. An increase in employment, which

occurred in quarter 3, brought employment closer to pre-pandemic levels but labor market activity has not yet fully returned to pre-pandemic levels.

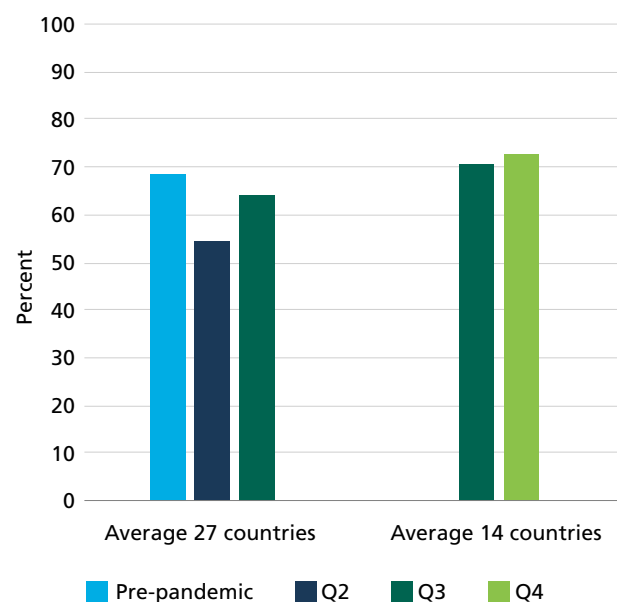
For the 14 countries with responses for quarter 3 and quarter 4 only, the changes in current work increased only slightly: 70.5 percent in quarter 3 to 72.5 percent in quarter 4, constituting a much smaller increase compared to the earlier quarter of only 2 percentage points (Figure 1).<sup>3</sup>

We cross-check the reported current work measure against the workplace mobility measure from the Google Community Mobility Reports for the different quarters.<sup>4</sup> Figure 2 panels a and b reinforce the observed patterns: improvements in workplace mobility and improved labor market outcome, measured by current work, occurred over the quarters. For quarter 2 to quarter 3 and for quarter 3 to quarter 4, the figures show a positive correlation between workplace mobility and current work.

In the Latin America and the Caribbean (LAC) region, with data available for countries in quarter 2 and quarter 3, quarter 3 exhibits higher proportions of respondents reporting "currently working" than for quarter 2. For the Sub-Saharan Africa (SSA) region, a similar pattern shows sustained increases in reports of "current work" over quarter 2, quarter 3, and in some countries even for quarter 4. The averages of the LAC and SSA regions, where the data was available, exhibit a clear upward and evolving trend to increases in current work that respondents report.

**In short, current work increased significantly from quarter 2 to quarter 3, but increases flattened out over the last two quarters of 2020. For most countries where data are available, the current work measure is positively related with Google Mobility patterns of workplace mobility. This suggests a link between the easing of pandemic mobility restrictions and the observed recovery of the labor market.**

**FIGURE 1**  
**Impact of COVID-19 on Current Work**



Source: World Bank High-Frequency Phone Surveys 2021.

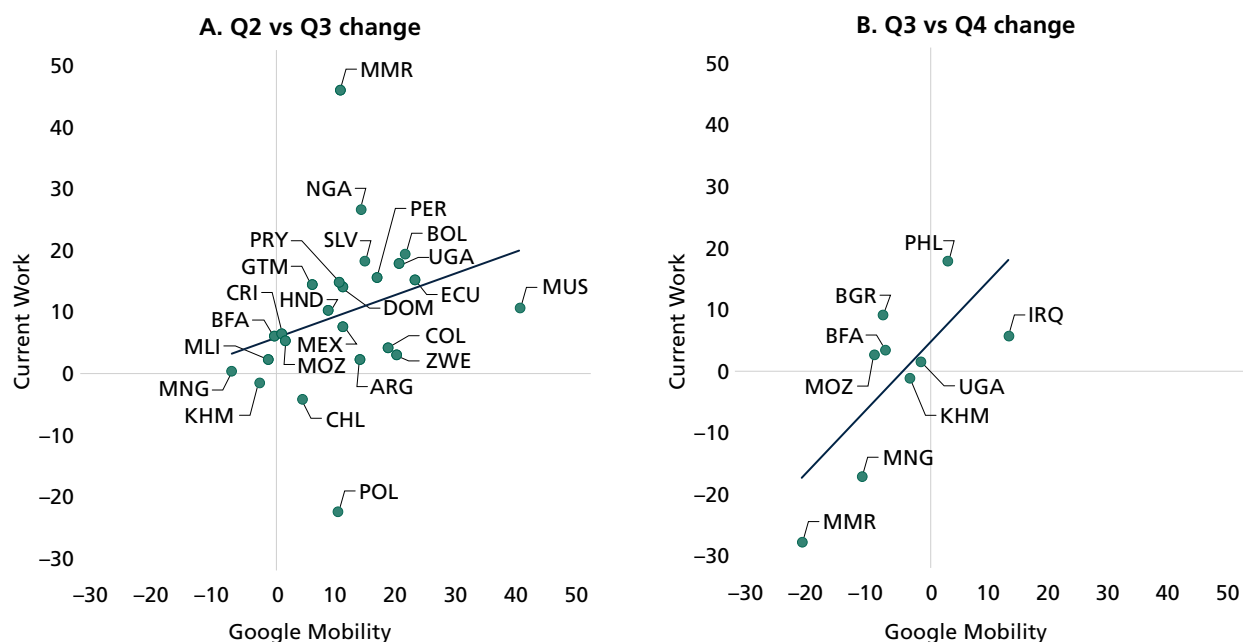
Note: Quarters 2, 3, and 4 for the year 2020 are represented as Q2, Q3, and Q4.

<sup>3</sup> As a robustness check, the means were also estimated with clustered standard errors at the geographical administrative 1 unit for each country and the message is largely sustained, even with these larger standard errors.

<sup>4</sup> Data for mobility trends for places of work as compared to the baseline, Google COVID-19 Community Mobility Report.

**FIGURE 2**

**Google Mobility and Current Work, Q2 vs Q3 change and Q3 vs Q4 change**



Source: World Bank High-Frequency Phone Surveys 2021; Google COVID-19 Community Mobility Reports 2021.

Notes: (1) Panel A—24 countries. Panel B—9 countries. (2) Quarters 2, 3, and 4 for the year 2020 are represented as Q2, Q3, and Q4.

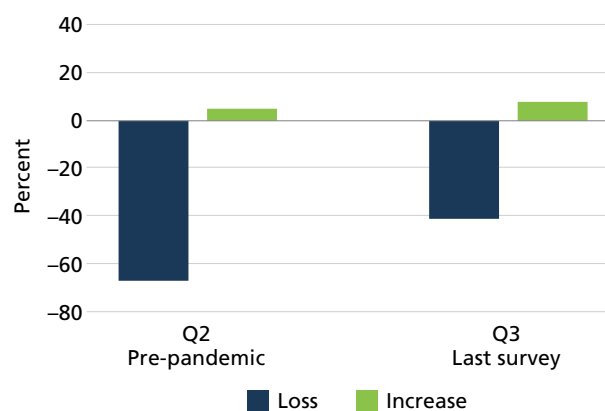
**INCOMES SHOW SOME SIGNS OF RECOVERY, BUT LOSSES REMAIN PREVALENT**

Turning to income losses, we examine total income changes across two time dimensions and comparison points: (1) How total household income change in quarter 2 compared to before the crisis, and (2) for subsequent quarters, how total household income has changed since the previous round of the survey (Figure 3).

Income losses, reported in the later quarters, became less prevalent. The phone survey responses indicate that household income declines were common, with two-thirds of households reporting income loss from pre-pandemic levels in quarter 2 and only about 5 percent reporting an income increase. The remaining 28 percent reported no change. In the third quarter, there seemed to be a slight recovery for households on average, with only 41 percent reporting income losses compared to the previous round of the survey and 8 percent reporting income increases.<sup>5</sup>

**FIGURE 3**

**Total Income Change, Q2 pre-pandemic vs Q3 last survey**



Source: World Bank High-Frequency Phone Surveys 2021.

Notes: (1) 18 countries, Q3 countries. Negative percent represents the percent of respondents that report income loss, positive percent represents the percent of respondents that report income increase. (2) Quarters 2, 3, and 4 for the year 2020 are represented as Q2, Q3, and Q4.

<sup>5</sup> Based on 18 countries that report both pre-pandemic income measures and income since the last survey.

**In short, a large number of households suffered total income decreases due to the pandemic. While the share of households reporting income declines dropped significantly in the third quarter, relatively few households reported income gains. This suggests that the observed increase in employment may have offset income losses from other sources of household income, but was insufficient to translate into widespread income gains. This may be because of changes in the type of work performed.**

## EMPLOYMENT REALLOCATES ACROSS SECTORS

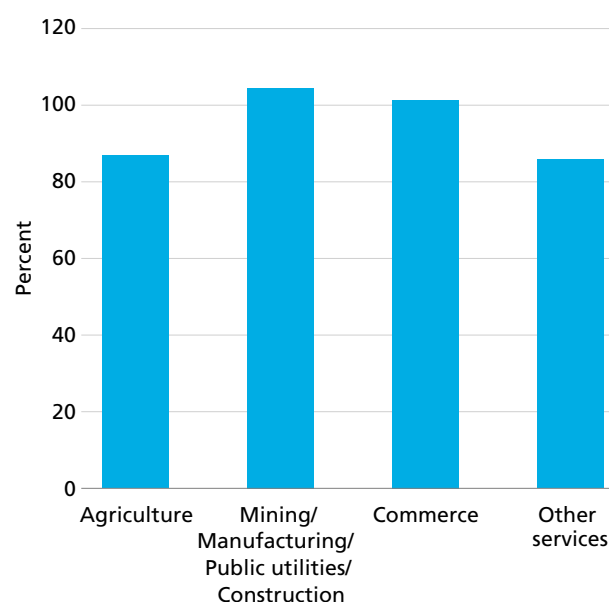
To better understand sectoral reallocation during this time, we aggregate sectors into four categories: (1) agriculture, (2) mining/manufacturing/public utilities/construction, (3) commerce, and (4) other services. Sectoral differences across quarters and possibly reallocation of worker flows to and from the sectors occurred over the different quarters, which workers report as their current sector of work.<sup>6</sup> Employment reallocations across sectors are an indication of changes in the quality of work, and also the differential income potential in these sectors.

In particular, we examine how the share of employment across sectors changed between quarter 2 and quarter 3. The share of employment decreased in the agricultural sector and the category of “other sectors,” which comprises transportation/communications, financial and business services, and other service activities, by 0.3 and 1.7 percentage points respectively. In contrast, commerce and mining/manufacturing/public utilities/construction saw increases between quarter 2 and quarter 3 of 0.8 and 1.2 percentage points.

This points to a sectoral reallocation of employment. Figure 4 shows the percentage increase in the estimated number of workers in each sector. While all sectors experienced increases in employment between Q2 and Q3, some more than doubled the number of workers. Again, commerce and mining/manufacturing/public utilities/construction experienced large increases.

Moreover, looking into the details that comprise the “other sectors” category, a large relative change occurred for transport and communications (130.1 percent), likely

**FIGURE 4**  
Growth rate in employment by sector, Q2 to Q3



Source: World Bank High-Frequency Phone Surveys 2021.

Notes: (1) 21 countries. (2) Quarters 2, 3, and 4 for the year 2020 are represented as Q2, Q3, and Q4.

<sup>6</sup> In Khamis et al (2021) documented sectoral changes between the pre-pandemic and the early impacts of the crisis and found that the labor market impact, measured by work stoppage, was more prevalent in the industrial and service sectors than in agriculture.

coinciding with the easing of restrictions on mobility. While this sectoral allocation may have helped to stem the tide of income losses observed in the second quarter, these new jobs did not appear to be sufficiently productive to lead to widespread gains in household incomes.

**In short, sectoral reallocation between quarter 2 and quarter 3 coincided with the closing and re-opening of many economies and showed a movement**

**towards commerce and mining / manufacturing / public utilities / construction. Furthermore, there were increases in the transport and communications sectors, which are consistent with increased mobility occurring during this time.**

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