

► Policy Brief

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Delivering income and employment support in times of COVID-19: Integrating cash transfers with active labour market policies¹

Key points

- ▶ ALMPs should be used alongside income support measures in the face of COVID-19, to support people's incomes and jobs and to sustainably improve their employment prospects.
- ▶ These integrated approaches have been effective in the past and already exist in many countries, hence the institutional capacities can be built upon to act quickly.
- ▶ The policies need to address the different phases of the pandemic and the resulting economic crisis, through appropriate sequencing of ALMPs.
- ▶ Delivery methods need to limit health risks (e.g. using digital technologies), and these policies can complement public health responses (e.g. producing masks) and accompany the move towards future sectors (e.g. health and care services, green sectors).

Challenge ahead

As the devastating social and economic consequences of the COVID-19 crisis become apparent, a major challenge for governments is to limit adverse longer-term effects on labour markets. This effort requires a comprehensive policy response to lay the foundation for sustainable job creation. Thus, the ILO, in line with international labour standards, highlights the need for immediate action through macro-economic and sector-specific measures; specific support for enterprises, jobs and incomes; protection for workers in the workplace; and the reliance on social dialogue when setting up solutions (ILO, 2020g).

This brief focusses on the important role that active labour market policies (ALMPs) can play within this overarching strategy if they are integrated into income support

measures. ALMPs include employment subsidies, start-up incentives, public employment programmes, labour market services, and training programmes (see Table 1 for definitions and examples). The brief discusses how ALMPs and income support can come together to support workers in the face of the pandemic and sustainably improve their employment and life trajectories, particularly in emerging and developing countries.

Policies aimed explicitly at improving workers' prospects address a central challenge in emerging and developing countries. The lack of decent work opportunities disproportionately affects the most vulnerable groups of the population, such as the working poor and informal workers, who are usually overrepresented among youth, women, or migrant workers. The COVID-19 crisis has intensified pre-existing vulnerabilities and is imposing new challenges to the delivery of any policy due to

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lockdowns and confinement measures.

During the pandemic, many emerging and developing countries are relying on income support (through social protection systems), especially cash transfers (Gentilini et al., 2020; ILO, 2020a, 2020i).² Aimed at ensuring income security, this support is indispensable in the context of COVID-19. For example, lockdown and social distancing measures have left millions of workers jobless and without protection, particularly informal workers. Addressing their basic food and health needs is pivotal (ILO, 2020g). Moreover, income support can stabilize economies during crises due to its positive effect on the demand for goods and services.

Yet, income support alone does not necessarily maintain individuals' attachment to the labour market, improve their skills and work experience, facilitate the matching between jobseekers and available vacancies, or directly create jobs. Other labour market policies, particularly ALMPs, pursue these goals. Combining income support with ALMPs can thus be an effective policy tool to protect incomes while also improving workers' longer-term labour market prospects (ILO, 2019b).

The integration of ALMPs and income support can have an important and distinctive role during this pandemic. Prior to the COVID-19 crisis, countries around the globe had already combined ALMPs and income support. Such integrated approaches have shown beneficial effects on labour market and social outcomes, albeit under certain conditions that have been identified in the existing literature. These policies also had an important function in previous economic crises. The context of the COVID-19 crisis imposes the need to act quickly. Reliance on existing programmes in the different countries, and hence already existing institutional capacities and knowledge, is thus important. Meanwhile, countries need to calibrate these programmes to the unique challenges imposed by the pandemic. **What specific gaps will these combined approaches fill and how can policies be adapted to attain these aims?**

We argue that the combination of ALMPs and income support can play an important role in helping workers cope with the crisis due to its ability to support incomes, avoid layoffs and keep people attached to the labour

market. In addition, this combination fosters (re)skilling and workers' longer-term employment prospects. However, countries should plan the sequencing of policies strategically according to the different stages of the crisis. The needed combinations of policies will be different when supporting people during lockdowns, when activities resume with physical distancing, or while facing shortage of employment opportunities because of the crisis, and again when economic recovery eventually takes place. This brief examines these matters and concludes by discussing innovative delivery methods (e.g. modern technology) that can be used to limit health risks as well as options of financing the implementation of ALMPs and income support.

The rationale for integrating ALMPs and income support

The urgent challenge of tackling the health, social and economic consequences of the COVID-19 crisis requires comprehensive policy interventions. The contributory and non-contributory social protection measures, including the cash transfers that countries have largely implemented to counteract the effects of the crisis, are clearly indispensable. The latter are particularly relevant in emerging and developing economies, where coverage of contributory social protection is limited. Income support in isolation can protect individuals' incomes and their consumption and assets, but it cannot prevent individuals from having to take up low-pay jobs and potentially precarious forms of employment, at least in the medium term. In fact, income support measures are not designed to equip workers with the skills needed to access better quality jobs and thus lack components specifically aimed at increasing employability. This includes cash transfer programmes, which in addition are typically conducted for a limited period in emerging and developing economies³, are often set at low levels (ILO, 2017, 2019b).

ALMPs can be a key complement to income support, providing those beneficiaries who are of working-age and able to take up employment with the means of finding more sustainable sources of income and potentially paving their way into formal employment (ILO, 2019b). **What are ALMPs?** ALMPs are government policies, which support the labour market integration of individuals

² The focus of this brief is on income support policies provided to persons who are able to work but incur income losses due to joblessness and underemployment (see Berg, 2015 on the different functions of income support). This includes contributory (e.g. unemployment insurance) and non-contributory (e.g. cash transfers) social protection policies. The income security function is central also for major groups of beneficiaries unable to work (e.g., due to sickness) or not belonging to the working-age population (e.g., older persons and children). These beneficiaries and the income support paid to them are, however, not the focus of this brief.

³ The current crisis is no exception to this trend. At least to date, average duration of programmes implemented in the context of COVID-19 in countries of all income levels is relatively short, at 3.1 months. (Gentilini et al., (2020) reflecting the state of knowledge on May 15, 2020).

through labour supply- or demand-side measures (Auer et al., 2008). On the supply side, ALMPs are designed to provide assistance and incentives for people to remain attached to the labour market and look actively for jobs. On the demand side, ALMPs' main aim is to stimulate job creation and hiring so that people ultimately (and as soon as possible) find suitable employment (ILO, 2016). Supply-side ALMPs include policies such as training and labour market services, while demand-side ALMPs⁴ comprise public employment programmes (including public works and employment guarantees) and support to self-employment and micro-enterprise creation. Employment subsidies have a dual role depending on whether they constitute recruitment incentives, employment maintenance incentives, or workers' subsidies⁵ (ILO, 2016, p. 61), (table 1).

Whether during crises or in normal times, ALMPs are not meant to replace income support measures or involve conditionalities that would reduce the right to social protection. Neither should ALMPs reduce the role of labour market institutions. On the contrary, they need to act as one of the pillars of comprehensive labour market and social protection policy packages (ILO, 2016). In fact, ALMPs implemented in isolation are often not effective, as participation in ALMPs can be costly and time-consuming. If they are to be able to afford participation, vulnerable workers need to receive income support at the same time. Only when ALMPs are integrated with income support schemes (of a contributory or non-contributory nature) both types of policies can achieve their full beneficial effect on the labour market (ILO, 2019b). Implementing either ALMPs or income support at the expense of the other type of policy would be counterproductive. In line with this reasoning, the international community and various international labour standards advocate approaches that seek to provide income security, in particular via social protection measures, and access to quality employment, via ALMPs, through integrated policy frameworks (ILO, 2019b) (see Box 1 in the Appendix).

While ALMPs achieve their full effectiveness through continuous implementation (i.e. their implementation is

complex and some of the expected effects take time to materialize) (Escudero, 2018), they also have a role during crises, including today's pandemic. From a conceptual perspective, employment maintenance incentives (e.g. wage subsidies, short-time work) should be enacted quickly to keep people in jobs and secure livelihoods. Indeed, many countries are already relying on wage subsidies to maintain employment (see Section 4). However, employment and activity losses are unavoidable during a crisis of this magnitude. This is true particularly in emerging and developing countries, where the incidence of informal employment is high.⁶ Public employment programmes can play a role in this emergency phase, by extending income support and providing a bridge to medium and long-term ALMPs.

ALMPs will remain relevant once economic activities are resumed, since the COVID-19 crisis is causing a shortage of employment opportunities. Start-up incentives and hiring incentives can provide employment opportunities in these contexts. Even if they might be less effective during downturns, these policies are justified because they can be used to help specific groups. Moreover, start-up incentives can with time create additional jobs. Training and labour market services have a continuous role. In the short-term these policies can help people remain attached to the labour market and avoid a rise in inactivity, while in the medium to long-terms they can upgrade workers' skills, improve the quality of job matching and facilitate the shift towards different economic specializations (Auer et al., 2008; ILO, 2016).

Meanwhile, income support needs to be provided throughout crises and recovery times: in the short run to avoid hunger, starvation and falling into poverty; and in the medium term to additionally allow people to take part in ALMPs as explained above. Social distancing and other efforts to avoid contagion in today's crisis may limit the implementation of these policies, which will require new and innovative approaches. They also require effective solutions to finance them (see the discussion in sections 4 and 5).

⁴ Interestingly, the social protection literature understands certain demand-side ALMPs as functional equivalents to unemployment benefits. This is the case for employment subsidies, which are an important part of social protection, and public works and employment guarantees which provide income security, albeit in exchange for a certain amount of work (see ILO, 2012, 2017).

⁵ These are subsidies directed to workers, which usually involve payment of a proportion of the worker's salary to increase their incentives to work (Auer et al., 2008, p. 49; ILO, 2016, p. 97).

⁶ As discussed in the last section, the implication of lockdown vs reduced activity when workplaces start to open will differ and so the types of ALMPs needed will also be different.

Table 1. Active labour market policies (ALMPs): categories, main objectives and selected examples

Training	Public employment programmes (public works and employment guarantees)	Employment subsidies	Start-up incentives	Labour market services
Improve employability and enhance future career paths through acquisition of skills	Compensate lack of employment opportunities to alleviate poverty through temporary jobs with employability enhancing components	Provide incentives for hiring new staff and maintaining jobs by reducing labour costs	Provide financial and logistic support for self-employment or micro-entrepreneurship	Connect jobseekers with employers through career advice, job-search assistance and other measures promoting reintegration into the labour market
Selected examples ⁷				
Zimbabwe TREE: Training for rural economic empowerment (Lachaud et al., 2018)	Argentina Plan Jefes y Jefas de Hogar Desocupados: Public works programme (Galasso & Ravallion, 2004)	South Africa: Voucher for wage subsidy (Levinsohn et al., 2014)	Central America TechnoServe: Start-up support and business training (Klinger & Schündeln, 2011)	Peru CIL-ProEmpleo: Labour intermediation services
Sri Lanka SIYB: Cash transfer combined with training and an investment grant (de Mel et al., 2014)	Uruguay PANES: Cash transfer with voluntary participation in public works (Escudero et al., 2020)	Tunisia SIVP: Hiring subsidy through financing of social security contributions by the government (Broecke, 2013)	Chile MESP: Cash transfer combined with start-up capital and training (Martínez A. et al., 2018)	Ethiopia, Ghana, Honduras, India, Pakistan and Peru: Cash and non-cash transfers combined with labour market services and training (Banerjee et al., 2015)

Note: Examples were selected based on the availability of evaluations, which have found positive impacts on labour market outcomes. The first row of examples features standalone ALMPs, while the second row depicts examples of integrated approaches, with the exception of public employment programmes (including public works), where both kinds of support are provided in combination and are often also considered as a social protection policy (see footnote 4). Source: Authors' compilation based on ILO (2016, p. 59, 2019, p. 52) and Kluge et al. (2017).

Learning from past experiences

Several meta-analyses show empirically that ALMPs can improve workers' labour market prospects (Card et al., 2010, 2018; Escudero et al., 2019; Kluge et al., 2019). In Latin America and the Caribbean (LAC), for example, such interventions have a positive effect on employment, including formal employment. Conditions for programme effectiveness include that interventions are of sufficient duration of more than 4 months, follow a careful targeting strategy (e.g., reaching poor and/or vulnerable individuals), and are tailored to the specific needs of the regional labour market (e.g., by including programme components to enhance participants' skills in line with labour demand) (Escudero et al., 2019; ILO, 2016). Suitable design and implementation thus determine whether ALMPs improve workers' prospects. This is also true for ALMPs designed for young workers. Such policies are

more effective in low- and middle-income countries where they tend to target vulnerable groups, thereby allowing these young participants to realize their potential in ways they otherwise would have been unable to do (Kluge et al., 2019). Not all ALMPs are similarly effective, and this effectiveness varies depending on countries' level of development, the target groups and particular implementation conditions. Concerning the type of ALMP, in LAC for example, training, employment subsidies and micro-enterprise creation programmes have been generally effective.⁸ Meanwhile, public works can raise the living standards of beneficiaries during participation, but their post-participation effects are mixed (Escudero et al., 2019; ILO, 2016). While lifting people out of poverty during participation might be the final aim of some of these programmes (e.g. public works implemented during crises), other programmes are implemented with longer-term objectives of improving workers' prospects. In these

⁷ Programmes acronyms are: TREE (Training for Rural Economic Empowerment), SIYB (Start-and-Improve Your Business), MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act), PANES (Plan de Asistencia Nacional a la Emergencia Social), SIVP (Stage d'Initiation à la Vie Professionnelle), MESP (Micro-entrepreneurship Support Programme), CIL-ProEmpleo (Centro de Intermediación Laboral, Pro-Empleo).

⁸ Positive examples include training programmes with on-the-job training in Peru (ProJoven) and Uruguay (Opción Joven and Pro-Joven), wage subsidies where the government paid a share of salaries or social security contributions in Argentina (Proempleo) and Chile (Subsidio al Empleo Joven), and micro-enterprise programmes which, besides financial assistance, offered counselling, training and business assistance in Central America (TechnoServe) (ILO, 2016, Chapter 3).

cases, it appears that the key to the effectiveness of public works is that they include adequate training support to sufficiently enhance participants' skills (Escudero et al., 2020).

When implemented during a recession, the effectiveness of ALMPs in improving workers' outcomes tends to increase in high-income countries (Card et al., 2018; Forslund et al., 2011; Lechner & Wusch, 2009). Additional macro-economic evidence shows that countercyclically implemented ALMPs can strongly reduce the effect of economic shocks on the unemployment rate (Escudero, 2018). This indicates that while ALMPs rely on continuous implementation, they should be reinforced when labour market conditions are difficult. Accordingly, hiring subsidies and measures aimed to sustain jobs (short-time work) are found to have encouraged job creation and employment during crises, including the Great Recession (Cahuc et al., 2019; Efstathion et al., 2017; Faia et al., 2013; Neumark & Grijalva, 2016).⁹ Importantly, social dialogue has played a central role in enacting balanced social policies during previous crises (Glassner & Keune, 2012), particularly in relation to policies aimed to maintain employment (Glassner et al., 2011).

In contrast to the evidence from high-income countries, ALMPs in LAC (for which we have empirical evidence) are relatively more effective when the economy expands. This appears to be a result of limited investment that tends to characterize such programmes in the region (Escudero et al., 2019). This finding points to the fact that at the national level ALMPs need to be sufficiently large and well-resourced to have an effect on aggregate labour market variables (Pignatti & van Belle, 2018), which is even more relevant during economic crises.

Another key implementation challenge for ALMPs is programme accessibility. The empirical evidence for developing and emerging countries highlights that vulnerable workers often cannot afford to invest time to participate in ALMPs and improve their employment prospects (ILO, 2016). Such financial constraints are exacerbated during economic crises. This implies that ALMPs need to be provided as part of a more comprehensive approach that includes sufficient income support.

Indeed, the combination of ALMPs and income support has been found to be more effective in improving the employment perspectives of vulnerable workers than the implementation of these policies in isolation (ILO, 2019b).

Country-level impact evaluations corroborate that such integrated approaches can improve participants' labour market status and job quality. This applies to programmes integrating income support and training in the context of Nicaraguan households (Macours et al., 2012) and self-employed women in Sri Lanka (de Mel et al., 2014). In both cases, the integrated approaches were more effective than ALMPs or income support implemented in isolation. In contrast, a similarly integrated policy targeting unemployed individuals in Colombia was not successful, potentially because the participants' attachment to the training was low (Medina et al., 2013). In addition, programmes combining income support and support for the self-employed have shown positive effects in Chile (Martínez A. et al., 2018) and, though to a smaller extent, in Argentina (Almeida & Galasso, 2010). Finally, Banerjee et al. (2015) evaluate cash-transfer schemes in Ethiopia, Ghana, Honduras, India, Pakistan and Peru that involved a range of activation measures. They find that individuals who received the transfers along with the ALMPs were relatively better off in terms of consumption levels, food security, health and incomes, one year after programme participation.

ILO (2019b) includes two additional case studies of programmes that have combined income support and ALMPs in distinctive ways. First, a programme in Uruguay combined cash transfers with public works targeting the poorest quintile of the population through a means-tested approach. Second, the unemployment insurance scheme of Mauritius involves the mandatory participation in different types of ALMPs available to individuals regardless of whether they previously worked in informal or formal employment. These case studies show that widening the coverage of integrated approaches to populations that are hard to reach is indeed possible. Based on these cases and the existing empirical literature, ILO (2019b) concludes that the degree of effectiveness of integrated approaches hinges on the following design and implementation features:

- *Ensuring that there is sufficient institutional capacity and resources:* The joint implementation requires the complex coordination of institutional and administrative tasks, for example across different ministries. It also requires significant financial investments (see also Pignatti & van Belle, 2018). Indeed, the necessity of sufficient financial investments represents an overriding structural problem for most countries. These investments, however, need to be weighed

⁹ During the Great Recession, hiring subsidies stimulated employment in France (Cahuc et al., 2019) and also in the United States for specific types of hiring credits (Neumark & Grijalva, 2016). Finally, firms in Luxemburg reported that short-time work retained 20-25% of jobs covered by this measure after major economic crises (Efstathion et al., 2017).

against the cost of inaction (i.e. in practical terms, the cost of other more expensive measures to mend the damage (Escudero, 2018) and/or the long-term negative consequences of perpetuated poverty). Moreover, if properly designed and executed they can, at least to some extent, be self-financing in the medium term because they will result in reductions in social transfers as people move to better jobs. Finally, there are ways to reduce the costs of these policies while keeping their effectiveness, by tailoring the support according to the demographic and income characteristics of individuals and households (ILO, 2019b).

- **Correctly identifying the target groups and making sure that they participate:** When integrated approaches widen their coverage to vulnerable groups of workers, attention must be paid to actually reaching them and ensuring their participation. For example, the Mauritian contributory unemployment scheme has the unique characteristic of also covering previously informal workers. The challenge is ensuring that these workers are adequately represented in the programme, both in terms of meeting the eligibility criteria and participating when eligible (Liepmann & Pignatti, 2019). Firms' incentives to participate in interventions are also important (Kluve et al., 2017). For example, an otherwise successful wage subsidy for young workers in South Africa was taken up by few firms only, as the administrative burden was too high (Levinsohn et al., 2014). Relaxing strict eligibility criteria and facilitating registration are possibilities to make programme participation easier for certain groups (e.g., women, young people, informal workers). Ensuring incentives are in place for target populations to participate is another requirement of success. The case of Uruguay showed that individual characteristics play a role in determining participation, since family responsibilities prevented people from self-selecting into the ALMP. Similarly, Kluve et al. (2019) and López Moureló & Escudero (2017) point to the role of transport allowances and available childcare services in boosting programme participation of young workers and women, respectively. Therefore, it is key to adapt the various components of integrated approaches to

individuals' needs. To achieve this, it is imperative for governments to build appropriate databases and strengthen information systems.

- **Strengthening the linkages between income support and ALMPs:** This implies ensuring that beneficiaries receive sufficient income support to keep them out of poverty and allow them to take part in ALMPs. The stereotype that welfare receipt discourages beneficiaries' work efforts in developing and emerging countries has been refuted empirically.¹⁰ Additionally, participants need to actively participate in the ALMPs for these to be effective, as has been indicated by programmes implemented in Colombia (Medina et al., 2013) and Argentina (Almeida & Galasso, 2010). Accompanying workers throughout their programme participation (e.g., through regular follow-up meetings, see Babcock et al., 2012) and implementing personalized support (J-PAL, 2018) has been found to increase attachment to ALMPs. This, in turn, leads to more rapid re-employment and better working conditions (ILO, 2019b). Moreover, the ALMPs should be of sufficient duration and intensity, including an adequate skills content, to ensure that workers indeed find new employment opportunities upon programme exit (as shown for Uruguay, see (Escudero et al., 2020)).

Leveraging existing combined approaches for the current crisis

Can existing policy approaches be rolled out or expanded in the context of COVID-19? An innovative mapping of countries' policies enacted until 2019 shows that the combination of income support and ALMPs was already a prominent feature of labour market policy across developing and emerging countries before COVID-19 (ILO, 2019b). This is important as countries might build on already existing programmes and structures in their response to the pandemic.

These measures have been combined in a multitude of ways in emerging and developing countries (see Appendix figures A1 and A2). To begin with, most low-income countries do not have unemployment benefit schemes

¹⁰ Recent articles find no systematic evidence that cash transfers (either conditional or unconditional) discourage work. Overall, effects are either null or too small to be economically significant, and some of the studies even find positive effects on employment variables when cash transfers do not have explicit work requirements. Evidence includes cash transfers in Argentina (Garganta & Gasparini, 2015); Brazil (de Brauw et al., 2015; Foguel & Barros, 2010; Ribas & Veras Soares, 2011); Cambodia (Ferreira et al., 2009); China (Chen et al., 2006); Colombia (Attanasio & Gómez, 2004); Honduras (Galiani & McEwan, 2013); Honduras, Mexico and Nicaragua (Alzúa et al., 2013); Honduras, Indonesia, Morocco, Mexico, Nicaragua and the Philippines (Banerjee et al., 2017); Kenya (Haushofer & Shapiro, 2013); Malawi (Covarrubias et al., 2012); Mexico (Parker & Skoufias, 2000; Skoufias et al., 2008; Skoufias & Di Maro, 2008); Nicaragua (Maluccio, 2010; Maluccio & Flores, 2005); Pakistan (Hasan, 2010); Philippines (Chaudhury et al., 2013); Uruguay (Amarante et al., 2011; Escudero et al., 2020); and Zambia (American Institutes for Research, 2013).

anchored in national legislation.¹¹ Yet, integrated approaches play a role in these countries, where ALMPs are implemented as part of non-contributory cash transfer schemes (e.g., in Sub-Saharan Africa, note the difference between figures A1 and A2). Moreover, the variety of ALMPs that are integrated within these cash transfers tends to increase as country's GDP per capita rises (e.g., many countries in LAC, see figure A1).

Unemployment insurance schemes play an increasing role to promote integrated approaches, as country income level rises (see figure A2). Where such schemes exist, they usually require mandatory registration in job placement offices. Several lower-middle income countries additionally encourage unemployment benefit recipients to participate in training interventions. For higher-middle income countries, there is a greater heterogeneity in the ALMPs used to provide support to unemployment benefit recipients.¹²

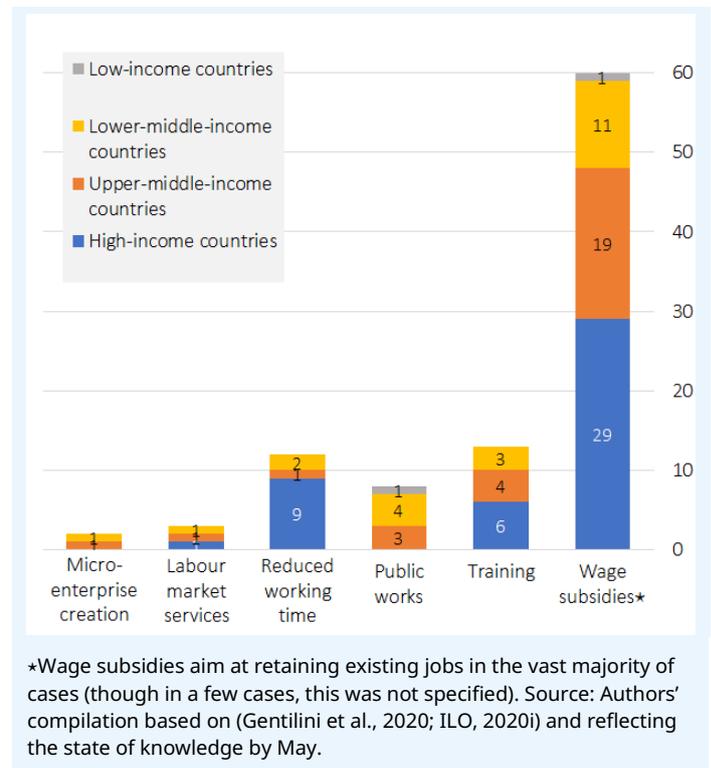
Finally, public employment programmes alongside income support tend to be more common among low and lower-middle income countries, where they are aimed at compensating for insufficient jobs. In comparison, higher-middle income countries frequently offer a combination of activation measures, including also training and start-up incentives, and hence target both supply and demand in the labour market (see also Auer et al., 2008)

This integration has not yet transpired in the response to COVID-19. Social protection measures have been enacted swiftly in many countries of all income levels. The ILO Social Protection Monitor recorded 1,046 social protection measures announced by 188 countries and territories in response to the COVID-19 crisis between 1 February and 26 May 2020 (ILO, 2020i). Within these policies, non-contributory social protection, particularly cash transfers, have been the most widely used type of response. They represent one third of all social protection COVID-related programmes globally. Interestingly, 56 per cent of cash transfers are new benefits or programmes (Gentilini et al., 2020).

Meanwhile, ALMPs have been implemented less frequently. By end-May, among developing and emerging countries 31 had implemented wage subsidies, 3 more enacted specific reduced working time subsidies, 7 training programmes, 8 public works, 2 micro-enterprise creation schemes, and there are 2 cases in which public

employment services were given an explicit role in the crisis (figure 1).

► **Figure 1. Number of ALMPs implemented in response to COVID-19, by country income level**



Another important finding is that only two low-income countries have thus far implemented ALMPs during the crisis: Ethiopia (a public works scheme) and Haiti (wage subsidies). In addition, much needs to be done to integrate these ALMPs and social protection policies. However, some examples illustrate how these policies are combined in response to COVID-19 (Gentilini et al., 2020; ILO, 2020a, 2020d):

- **Employment subsidies** are the most widely implemented measure in emerging and developing countries and take the form of **wage subsidies** used to retain existing jobs for a limited period of time. For example, the financial stimulus package of Bangladesh includes support for export-oriented industries to provide wages and salaries to workers and employees. In Guatemala, the Employment Protection Fund supports the wages of private-sector workers whose contracts have been suspended. Finally, Côte d'Ivoire has introduced support funds for enterprises of different sizes as well

¹¹ Globally, only 38.6 per cent of the global labour force is covered by law and only 21.8 per cent of unemployed workers worldwide actually receive unemployment benefits (ILO, 2017).

¹² In addition to mandatory participation in ALMPs, several unemployment insurance schemes encourage voluntary participation in ALMPs, often targeting vulnerable groups of workers (Carter et al., 2013).

as for informal sector workers (ILO, 2020a and references therein). In contrast, according to the data available to us, no **hiring subsidies** have yet been used for the creation of new job opportunities.

- A few middle-income countries have been offering **training measures** in the context of COVID-19. For instance, in Bosnia and Herzegovina funds are allocated for immediate activation measures for unemployed workers. In addition, Chinese unemployment insurance funds are partly spent on online learning and training services to foster skills development (ILO, 2020a, 2020d).
- There are also a few examples of **public employment programmes** (in the form of **public works**) that are adapted or expanded due to the crisis. This includes the Philippines, where over 220,000 beneficiaries are integrated into a new programme (Disadvantaged Workers Programme) to mitigate the effects of confinement. Although short (10 days only), the programme involves safety orientation and measures to prevent contagion of COVID-19, as well as a transfer equal to the regional minimum wage (ILO, 2020i). Moreover, in South Africa, the around 800,000 participants of the existing Expanded Public Works Programme (EPWP) continued receiving their pay while their works were suspended because of COVID-19 (ILO, 2020f).

Calibrating integrated approaches to the challenges of COVID-19

While ALMPs are at their best when implemented continuously, the empirical evidence from high-income countries indicates that they can be effective in improving workers' outcomes also during economic crises. This has been found in the context of the Great Recession, as discussed above. These experiences can be leveraged in the context of COVID-19, keeping in mind that they need to be part of a broader policy response that includes macroeconomic and sectoral policies, which are important for sustainable job creation and macro-economic stability. Meanwhile, combined ALMPs and income support have a specific role as key lifelines during the crisis, particularly

for disadvantaged people, which protect and (re)connect them to the labour market.

Importantly, various aspects make the COVID-19 crisis unique. Lessons from the past thus require innovative adaptations for their implementation. In particular, any policy measure needs to consider the associated risk of contagion and occupational safety and health (ILO, 2020c). This raises practical questions for the delivery of ALMPs and income support measures such as how to organize them when confinement and/or social distancing need to be respected. Moreover, the risk of contagion will remain high over an extended time (i.e., until a vaccine and/or suitable medication have been identified and made widely available), which highlights the need for the right sequencing in the implementation of policies.

Some policies have already been adapted to the particularities of the COVID-19 response. On the income support side, cash transfers (either implemented or enlarged during this crisis) are now more generous.¹³ Their coverage has been expanded (to more than double their previous scale at the global level) and administrative requirements have been simplified so that the schemes are more accessible (Gentilini et al., 2020; ILO, 2020e). The expansion of coverage is particularly noteworthy, as in various countries this has meant including workers who were not previously part of social registries, such as self-employed and informal workers.¹⁴ In addition, some countries (e.g. China) have moved from cash to shopping vouchers to ensure income support is used as soon as possible and that this consumption supports local demand (Correa et al., 2020).

On the ALMP side, we can observe a range of innovative registration and delivery mechanisms, mainly to consider social distancing requirements. Some countries have shifted to e-trainings and e-skills upgrade programmes, online job-search counselling and online intermediation to deliver the active labour market components.¹⁵ Moreover, as full or partial lockdowns imposed an immediate and drastic shock on labour demand, countries have reacted quickly by implementing demand-side ALMPs, especially wage subsidies that retain existing jobs. This is promising, as these policies proved useful during previous recessions (see Sections 3 and 4).

¹³ They show an increase of 134% relatively to the average transfer level before the crisis (Gentilini et al., 2020).

¹⁴ Efforts to support informal workers abound. Burkina Faso introduced a new cash transfer to fruit and vegetable sellers, El Salvador has done so for individuals who lack non-contributory income support such as house cleaners and street vendors, Morocco enacted a new cash transfer to informal workers, using mobile payment to transfer the cash, while Peru has introduced an emergency cash benefit for independent workers (Gentilini et al., 2020; ILO, 2020b)

¹⁵ For some useful examples on how countries are innovating to respond to the challenge see ILO (2020b).

While these adaptations are steps in the right direction, additional efforts are needed to exploit the full potential of integrated income support and ALMP strategies during COVID-19 times. As a first effort, the sequencing of policies needs to be planned strategically, respecting the different stages of the crisis. In the beginning, lockdown measures prevent many people from working; later, activity resumes and workplaces reopen, but social distancing measures remain relevant and the contraction of consumer spending and investment will imply a shortage of jobs. The eventual economic recovery will follow (if appropriate policies are enacted) only afterwards.

The immediate priority is thus to protect people's incomes and preserve jobs whenever possible. As many countries have done so far, income support and employment maintenance incentives (e.g. wage subsidies, short-time work) need to come first and quickly. These measures need to last sufficiently long, because economic activity and work will take time to resume and many other people are already losing their jobs, either because some layoffs are unavoidable or because they were in informal employment and needed to interrupt their activities due to lockdown measures. In addition, the closing down of schools and childcare centres has shifted much of the care work into the family. Income support and employment maintenance incentives are thus needed to support working parents, especially women, to keep their links to the labour market.

In the short- to medium-term phases of the crisis, other ALMPs are needed to help people remain attached to the labour market and avoid a rise in inactivity which will otherwise be difficult to reverse. Training measures and labour market services can help in this regard, by avoiding skills erosion and improving workers' employability in the expectation that hiring eventually picks up. Both measures can also support workers' short-term upskilling or reskilling to adapt to new waves of demand (e.g. grocery retail). They will have to be provided through innovative means that prevent contagion (e.g. through digital technologies that can be implemented even during lockdowns), such as the examples mentioned above.

As workers resume their activity, other ALMPs can be phased in, in combination with income support so that people can afford taking part. Public works and start-up incentives are even more needed at this stage, as these targeted job creation measures can counterbalance a contracted labour demand, particularly for informal workers. These measures could be provided even at an earlier stage in the crisis, if delivered innovatively – for example public works could complement public health responses to COVID-19¹⁶ and could, in some cases, even be provided digitally.¹⁷ Hiring incentives can follow soon after, even in the absence of a full recovery. In fact, the stricter targeting of these policies on disadvantaged groups may justify socially and economically displacing a share of jobs towards specific groups. Finally, at some point during the recovery, training and labour market services will have to be redirected towards their medium-term objectives: accompany the move of workers towards future specializations and sectors (e.g. health services, green sectors, childcare and long-term care services), and new working methods (e.g. digital literacy).

As a second effort to adapt to the features of the COVID-19 crisis, when devising innovative ways to adapt ALMPs, countries must be mindful of the potential of reaching the groups intended, and of the capacity of these people to participate in the efforts. Advanced technology appears to be at the forefront of the ability of firms and workers to respond to lockdowns and of governments to adapt policy responses. However, not all countries have these technologies at hand, and even if they do, the ability of online tools to reach workers and firms depends on their digital literacy and internet access. In fact, the workers who are being disproportionately affected by the COVID-19 crisis (informal economy workers, many of whom are women and/or lower-skilled workers) are likely not those who will benefit the most from ALMPs based on digital technologies. A major challenge is thus the exacerbation of inequalities due to an increased use of online services (Finn et al., 2019; ITU, 2020).¹⁸ Digital technologies should thus be used when possible, but not without alternatives for people who lack access.

¹⁶ By assisting epidemiologists with contact tracing, producing protective equipment such as masks and tackle infrastructure gaps. A cash-for-work programme was successfully launched during the Ebola crisis in 2018-19 in the eastern provinces of the Democratic Republic of Congo with the aim of filling infrastructure gaps that were limiting first responders' access to patients (Bance & Gentilini, 2020). During this pandemic, South Africa launched an additional initiative as part of the existing EPWP (Expanded Public Works Programme) in coordination with NGOs in the health sector, whereby 20,000 youth people were hired to distribute sanitizers and soap in high-risk areas (ILO, 2020f).

¹⁷ Digital public works could produce outputs in the digital domain, such as classifying digital documents or digitization of physical assets or printed public records (Weber, 2020).

¹⁸ Even in high-income countries, the implementation of online tools in the provision of public employment services has disadvantaged unemployed workers with relatively low digital literacy skills (Finn et al., 2019). Moreover, outside of high-income countries, less than half of all households had internet access in 2019, compared with 87% in high-income countries (ITU, 2020).

A final consideration is how to finance these integrated policy approaches. While in normal times, well-designed integrated policies will tend to self-finance in the long term when their positive effects materialize, this is likely not the case during a crisis of the magnitude of COVID-19. As such, a global response is needed beyond the postponement of debt payments. It could entail global solidarity funds, issuance of Special Drawing Rights by the IMF, debt payment suspension, mechanisms for debt restructuring and even debt cancellation for developing countries that were already heavily indebted before the crisis and for whom borrowing on the open market has become yet more difficult (Gerard et al., 2020; Ghosh, 2020; UNDESA, 2020). The involvement of the private sector is another possibility for countries that cannot free up fiscal space quickly or at all. The South African Future Trust, for example, is a fund with an initial endowment of around USD55 million to disburse interest-free loans to small, medium and micro-sized enterprises affected by the crisis. It was established by business owners in partnership with various large banks, who will be in charge of processing applications and making the payments (Fine et al., 2020). Cost-sharing schemes between employers and governments could also be an option for financing such investments, particularly supported by large companies. In a different context, apprenticeship training schemes are examples of well-established cost-sharing arrangements. These can be adapted to the particular circumstances of the COVID-19 crisis. In certain cases, cost-sharing may also involve workers if they are able to afford this – e.g., when it comes to training schemes fostering their skills development.

Wrapping up

This policy brief has advocated that the joint provision of ALMPs and income support can be a powerful solution for addressing workers' needs in the context of the COVID-19 crisis. If designed properly, these policies protect workers'

incomes in times of financial hardship, reduce job losses, maintain people's attachment to the labour market, while also fostering their longer-term employment prospects. No other set of policies performs these specific roles. These policies have been implemented in many countries already and existing institutional capacities could be expanded. There is solid empirical evidence on the positive effects of these policies, including during crises. This evidence, however, also shows that their effectiveness depends on their design and delivery mechanisms: sufficient institutional capacity and resources, ensuring participation of vulnerable groups, and strengthening the attachment of participants to ALMPs. This brief has discussed how this knowledge can be adapted to the specific situation of the COVID-19 crisis, stressing the need of unique delivery mechanisms that respect social distancing and the right sequencing of policies. We have highlighted the conditions required for marginalised groups to benefit, and the need to implement these policies hand in hand with income support schemes to exploit their full beneficial effects.

Countries are not alone in meeting this challenge. In addition to the existing evidence, the ILO has accumulated knowledge and experience in the design and implementation of such policies, based on the provisions and practices set out in international labour standards. There is a lot of scope for scaling up this work as part of the COVID-19 response, especially in developing and emerging countries. Key to this is the understanding that these jointly provided policies will need to be modified and expanded, which necessitates dialogue and concerted action by governments and employers' and workers' organizations (ILO, 2020h). While the issue of financial sustainability of expanded integrated approaches should not be underestimated, the cost of inaction would be even larger and longer lasting, when later mending the damage and addressing the long-term negative consequences of perpetuated poverty.

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APPENDIX

Box 1. Joint provision of ALMPs and income support: A call by international labour standards, including ILO instruments

The expedience of combining income support policies and ALMPs is reflected in international labour standards, including a number of ILO instruments. Already in 1948, the Employment Service Convention (No. 88) recognized, within the context of Public Employment Services, the need of cooperation in the administration of these services and those of unemployment protection measures. Some decades later, the dual objective of providing income security during unemployment while fostering full, productive and freely chosen employment was placed at the heart of the Employment Promotion and Protection against Unemployment Convention, 1988 (No. 168), and its accompanying Recommendation, 1988 (No. 176) that specifically calls for the combination of cash benefits with measures that promote job opportunities and assistance for the unemployed. Convention No. 168 and Recommendation No. 176 enshrined the goal of supporting both income security through unemployment protection benefits and quality employment, and laid the foundations for the ILO's concept of Decent Work (1999) and the later ILO Declaration on Social Justice for a Fair Globalization (2008) (ILO, 2011). The Declaration extends the scope of social protection to cover policies aimed at promoting full, productive and freely chosen employment. Moreover, it posits the universality of the Decent Work Agenda (ILO, 2008).

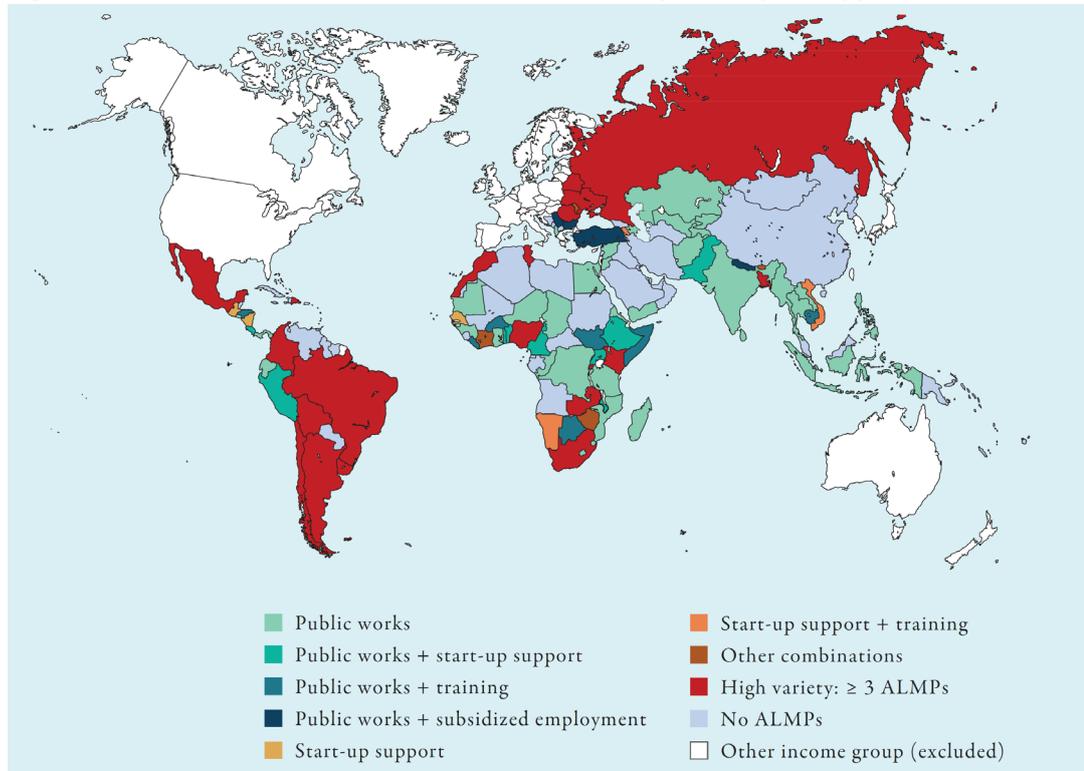
A few years later, the Social Protection Floors Recommendation, 2012 (No. 202) further emphasized the need to strengthen the link between employment and social protection policies (ILO, 2017). The implementation of ALMPs in conjunction with income support policies was duly advanced as one possible strategy for expanding social protection coverage while promoting the gradual formalization of the informal economy – a principle that was subsequently underlined in the Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204).

Significantly, in 2019 the ILO dedicated a General Survey to the status of implementation of Recommendation No. 202. The Committee of Experts on the Application of Conventions and Recommendations, which prepared the General Survey, points out in this document that “increased support for active labour market policies, in conjunction with the expansion of unemployment protection schemes, including non-contributory schemes, has played a major role in many regions in addressing poverty and inequality and improving employment” (Paragraph 677) (ILO, 2019c).

Most recently, the ILO Centenary Declaration for the Future of Work tasked the ILO and its member States with “further developing [the ILO's] human-centred approach to the future of work” by “strengthening the capacities of all people to benefit from the opportunities of a changing world or work” through, inter alia, “universal access to comprehensive and sustainable social protection” and “effective measures to support people through the transitions they will face throughout their working lives” (ILO, 2019a, pts. III, A). The Centenary Declaration thus explicitly acknowledges the importance of combining income support and ALMPs.

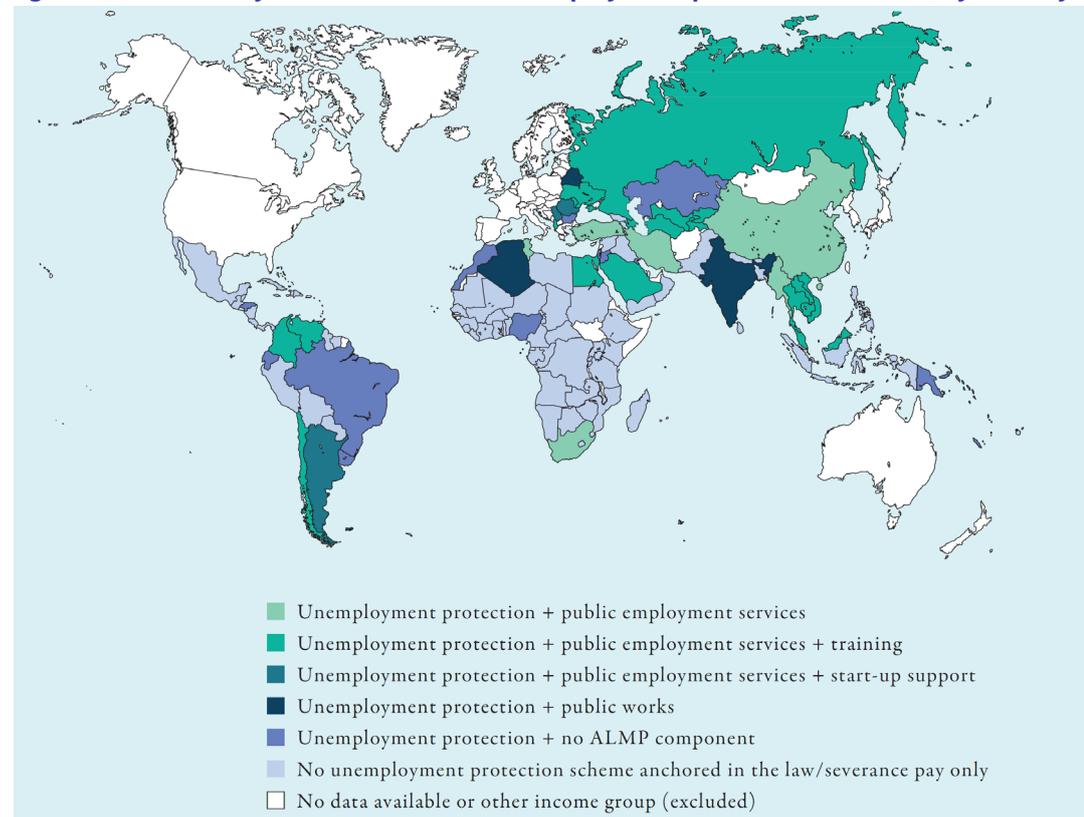
Source: Taken from ILO (1948) and (2019b, pp. 53–57).

Figure A1. ALMPs included in cash transfer schemes, by country and type of measure



Source: ILO (2019b).

Figure A2. Mandatory ALMPs included in unemployment protection schemes, by country and type of measure



Source: ILO (2019b).

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