European Training Foundation

COPING WITH COVID-19

Mapping COVID-19: the socio-economic impact

The future of skills in the EU neighbourhood

3 July 2020

OVERVIEW

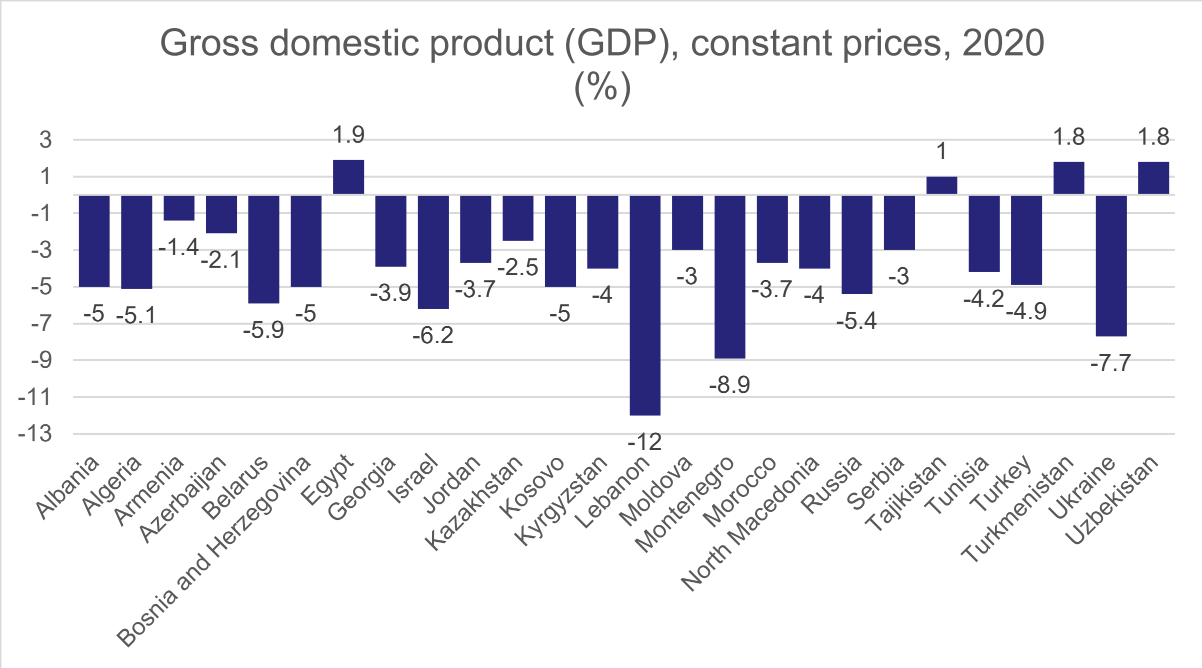
Highlights

This paper reflects the socio-economic challenges brought about by the COVID-19 crisis, and key policy responses as of July 2020. It includes key trends and developments in the partner countries covered by the European Training Foundation[1].

All countries in the EU Neighbourhood and Central Asia have been hit by the COVID-19 outbreak to a greater or lesser extent, with overall lower infection numbers compared to some of the EU Member States, although issues of under-reporting may impact on the reliability of data. All countries, apart from Belarus and Turkmenistan, made similar decisions as regards their education and training systems, including closing schools and training providers as well as shifting to distance digital learning tools and preparing teachers and trainers to use them. Nevertheless, measures adopted in the economic field have been diverse - from full lock down, which was in place in several countries for several weeks, to partial limitations, constrained working hours and restrictions applied in certain sectors of the economy. The result of these measures on the socio-economic status of the EU neighbourhood and Central Asian countries have been quite similar. In May 2020, many countries gradually began to lift restrictions, but overall, economic recovery will need to wait until 2021, assuming the second half of 2020 will not bring additional stress on already fragile economic and social issues. Businesses and consumers remain prudent and a V-shaped economic recovery is rather unlikely. Expectations and estimations vary from diverse institutional sources, increasing the level of uncertainty about the pace and type of economic recovery that will occur worldwide.

The GDP forecast for 2020 is a moving target, as fears of a second wave of infections and new restrictions may hamper economic recovery in the second part of the year. In April 2020, the International Monetary Fund made the following estimates about the GDP change in the ETF partner countries:

[1] Albania, Bosnia and Herzegovina, Kosovo*, Montenegro, North Macedonia, Serbia, Turkey, Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova, Russia, Ukraine, Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestine*, Tunisia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan



Source: International Monetary Fund, World Economic Outlook Database, April 2020

Updated projections in June 2020 show worsening GDP estimates for many economies. The OECD reviewed GDP contraction estimates considering two scenarios – one in which a major new outbreak is avoided (single hit scenario) and one in which a new surge in infections strikes the economic recovery again (double hit scenario). Selected available data from the OECD show a deep impact worldwide. In the ETF partner countries for which estimates are available, a second wave will lead to a further drop in GDP projections from –6.1% to –8.3% in Israel, from –8% to –10% in Russia and from –4.8% to –8.1% in Turkey.

The exports of goods and services will also drop in 2020 compared to the previous year by an average of 24.3% in the EU Candidate Countries[2]; 16.5% in Russia and 6.3% in MENA countries[3] (EC Spring Forecast, 2020). The neighbourhood countries are particularly exposed as for many of them, EU countries are major trading partners with a significant share in total exports.

In this report, we are looking at **seven critical factors** as a basis for analysing the socio-economic impact of COVID-19 in the EU neighbourhood and Central Asian countries in terms of skills development and future economic recovery. Three of them are considered *risk factors*, likely to negatively influence the future of economies, increase demands for social services and subsistence-based solutions far beyond the immediate emergency response. The other four are considered *emerging opportunity factors*, which nevertheless, pose demands on how far countries can maximize them to boost and accelerate the gap created by COVID-19.

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[2] Albania, North Macedonia, Montenegro, Serbia, Turkey

[3] Algeria, Tunisia, Morocco, Egypt, Israel, Jordan, Lebanon, Iraq, Iran, Yemen, Saudi Arabia, Bahrain, Oman, United Arab Emirates, Kuwait, and Qatar

Risk factors

Increasing unemployment. All countries are facing an unexpected and sudden increase in unemployment. Many have lost in a couple of months what they had gained over several years. Estimates on employment and unemployment levels in 2020 reveal a strong depreciation in the EU candidate countries, with lowered employment rates of over 3 percentage points in Albania and Serbia; while the total unemployment rate is expected to increase in all candidate countries by around 2 – 3 percentage points. Similar trends are observed in other regions. In Egypt unemployment increased by 0.8 percentage points, in Morocco the increase in the COVID months has been of 1.4 percentage points, losing the boost achieved in the last months of 2019, in Tunisia unemployment went up to 15.1% in the months of lockdown.

The sectoral pattern of the impact of the pandemic is rather similar across countries. Sectors such as tourism, restaurants and catering, transportation, car manufacturing, retail, fuel production and distribution and culture were hit heavily. Oil and gas exporting countries have been highly affected by the COVID-19 outbreak, as have countries dependent on international trade. Small and medium sized enterprises have been most affected, and they absorb a greater number of employees in most ETF partner countries. Naturally, troubles in one sector have triggered domino effects in others as, for example, in line with the collapse of hotels, restaurants and catering activities, the demand for food production and distribution has gone down. The same applies to aviation and fuel consumption. As recovery signs are still modest, major risks are a huge exit from the market of micro, small and possibly medium sized enterprises, leading to job losses or at best, shortened working hours in many sectors.

Increased poverty and inequalities. Socio-economic effects in most countries are a compound of diverse trigger factors and underlying causes, old and new. This is against a backdrop of fragile public budgets and low or no fiscal room for manoeuvre in many countries. Most countries of the EU neighbourhood and Central Asia region have faced similar consequences for their most disadvantaged groups. As an effect of the crisis there are more people falling into vulnerable groups, such as informal workers, returning migrants, refugees, young graduates and jobseekers, the elderly and low skilled workers. Poverty is likely to grow in many countries. In Lebanon for example the World Bank had projected that 40% of Lebanese people would be in poverty by the end of 2020, a forecast which the economy minister believes is now outdated. One in three Moroccans may potentially fall into the ‘poor’ category. In most Central Asian countries informality represents the norm in the private sector[4], and high informality in the labour market is a characteristic of many countries in the EU neighbourhood as well. Informal workers are less likely to access to social support as well as forms of social protection. Remittances, an important component of GDP in many countries, have dropped because of increased unemployment and reduction of wages of the migrant workers. In countries heavily dependent on remittances, such as Moldova, Tajikistan and Kyrgyzstan for example, this will impact directly on poor and externally dependent households. Also, the lack of jobs is likely to generate a flow of returning migrants. These are going to impact on the demand for health services, social protection and local employment, posing additional challenges for the already fragile socio-economic situation. The impact of

[4] In Tajikistan only 13% of employment in the private sector is formal (OECD 2020)

the pandemic is worse in countries already experiencing huge inflows of refugees and displaced people, such as Turkey, Jordan and Lebanon.

Also, movement restrictions affected commuters and company closures have left many families without a decent means of living. Similarly, groups exposed to poverty and social exclusion, including members of ethnic minorities and people with disabilities, do not have sufficient resources/savings to weather the financial toll of crisis. Many children with certain types of disability, particularly mental, had no or limited access to education and social support during the peak period of health crisis and restrictions.

Young graduates and young jobseekers who already faced difficulties entering the labour market, reflected in the high youth unemployment rates in the Neighbourhood region, are now at even greater risk, as countries have frozen apprenticeship programmes and other forms of support to young graduates. In many countries, the graduate generation of 2020 has missed out on most practical training and work-based learning opportunities due to the suspension of such forms of education and work experience. Weaker demand and more prudent hiring strategies may limit their employment opportunities over the medium-term. Furthermore, older workers, workers with insufficient digital skills and those working in the most affected economic sectors are at risk of losing their jobs if reskilling and upskilling does not take place swiftly enough as new demands emerge.

Increased polarisation. The urban and rural divide has played a major role in how COVID-19 has influenced different communities. In general, schools, teachers and pupils from rural areas were less prepared to move to online education due to poor digital infrastructure (IT/communication connectivity) and had less resources to invest in communication devices, and insufficient digital skills in many cases. Spikes in health and social protection expenditure have jeopardised investments in human capital development, infrastructure development, and plans made by countries for innovation and transition to green economies. It is hard to fully quantify the socio-economic impact of COVID-19 while the pandemic still unfolds and with little clarity as to when it will end. Projections on the recovery of the global economy range from one to four years; some countries will weather the effects better than others. It is clear however, that countries with significant proportions of inactive and unemployed people exposed to poverty, are less resilient and may experience a lengthier recovery. The risk of extreme social polarisation is higher than ever.

As the crisis affected societies as a whole on an unprecedented scale, the biggest risk is failing to cater sufficiently for vulnerable groups. Regardless of the definition or categorisation of people or groups at social risk across countries, significant numbers of people remain exposed to poverty and social exclusion in the ETF partner countries. Volatile economies, limited job prospects and tight public budgets might worsen their fate.

The general assumption is that once the restrictions are eased or scraped, economic demand could rebound leading to a swifter recovery in certain economic sectors or entire economies. However, in the absence of an efficient antidote or vaccine, restricted movement of people and precautionary health protection measures are likely to continue to limit tourism, transportation, culture, creative and entertainment industries and affect the overall demand for products and services. Health-related restrictions also challenge the way education and training services are delivered, calling for long-term, systemic adaptation of education systems and increased digitalisation and blended learning.

While the overall socio-economic picture brings enormous challenges for all countries, putting at risk enrolment rates and dropouts, even increased informality and deterioration of social and labour conditions, there are also opportunities emerging that should be captured to inform policy choices for more resilient socio-economic ecosystems.

Opportunity Factors

Emerging sectors and digitalisation. Opportunities emerged in the Information Technology and Communication sector, including electronic device production and distribution. This is due to unprecedented reliance on ICT solutions in education and health services, manufacturing, and trade. The outbreak has in fact accelerated the digital transition of different sectors of the economy and individuals. Large proportions of services, including working and learning, have moved online.

Some manufacturing companies have quickly adapted to the surge in demand for health products, and personal protection equipment, as did some technical and vocational training centres which joined the production effort. 'Re-shoring', re-localisation of industries and shorter production chains are being looked at by governments and business sector in the European Union and neighbourhood region. Human capital policies should support (re)building the skill sets needed for (re)emerging economic branches.

Strengthening public and private sector cooperation. The COVID-19 has given new impetus to start ups and attention to promoting innovative ideas through hackathons in several countries as well as internationally. The EUvsVirus hackathon alone, organised by the European Commission in April 2020 and with the participation of several ETF partner countries, has succeeded in promoting more than 400 projects to support transformation as a consequence of COVID-19. In almost all countries these kinds of initiative have flourished, giving new space to entrepreneurship as well as collaboration among stakeholders. Such a positive trend in the cooperation and partnership between the public and private sector has never been seen before. The emergency, as well as the need to move quickly to realise and market specific services and products, has led to this increase in cooperation. This also applies to skills and training, where the private sector has played an essential role in supporting public policy decisions such as the shift to distance digital learning and ensuring business continuity for essential services.

New forms of work arising. Companies active in the service sector, public administration and education systems have prioritised online modes of work or service delivery. This has caused a surge in demand for online communication solutions, co-working platforms, software and hardware investment etc. It has also led to a higher demand for a specialised, often younger, workforce to deal with the digitalisation of working environments. Widespread working from home may also offer opportunities for increasing female employment or engagement in business activities in many countries where traditional/cultural norms still limit women's employment (although for many, lockdown exacerbated household and childcare obligations as well as exposure to domestic violence).

A prominent issue across many countries, is the propensity for emigration of young graduates and younger generations in general. The social toll of COVID-19 reflected in lost jobs and lower income may exacerbate such trends once travel restrictions are eased and economic activity fully resumes in the destination countries. A more preventive approach to emigration, particularly brain and skill drain, is constrained by deep differentials in earnings and quality or diversity of job opportunities between origin and destination countries, the latter being mostly EU members with more advanced economies. A digitalised economy that helps spread employment opportunities without physical borders and new investment and jobs created through re-shoring/localising production closer to the EU may incentivise young people (but not only), to look for employment opportunities or start-up businesses in their home countries. Evidence to further to assess this dimension is yet to come, as countries are facing now an adjustment after months of lockdown and restrictions. It is yet to be seen how labour regulations, workers unions and employers will build on this experience to envisage a future of work that takes into account the opportunities of distance and smart working on the greening of economies and inclusion. It is also important to ensure adequate protection and regulation so as not to risk further informality or precarious labour conditions dressed up with a smart, green job name. Issues of family and work life conciliation, new or adapted social dialogue mechanisms and workers' representation or skills upgrading need consideration in the context of new forms of work.

Wider access to social protection and employment services, including better coverage of informal workers.

Registration of informal workers: While we highlighted above the challenges faced by informal workers across EU neighbourhood and Central Asian countries, it is important to bear in mind the necessity to ensure access to social benefits for all households, through online registration. This should include informal workers, which, in the long run will lead to a much better picture of the problems at stake. To mitigate the impact on un-organised work forces, such as that in Egypt or Armenia, financial incentives have been offered to encourage informal workers to register on an online database of the Ministry of Manpower.

Easing access to employment services and social benefits: In Ukraine the government introduced a number of legislative changes, that simplified the conditions for registration with the employment services. They succeeded in reducing the time between the acceptance of a request and the delivery of a subsidy from 91 days to only one. A similar process of simplification to apply for social benefits was implemented in Kazakhstan. Furthermore, many countries have built on the COVID-19 restrictions to open up or strengthen e-governance, including online registration to services and application for social benefits, access to administrative services as well as access to online resources including offering e-learning platforms and services.

Improving labour market information systems: The emerging informality that has been tracked through registration and access to social benefits allows countries to identify phenomena that they have been trying to address to date without sufficient evidence. This evidence, together with data obtained on the impact of COVID on formal labour markets, access to smart working and other forms of flexible working arrangements, access to digital educational services, and other social data obtained in this period, can provide an unprecedented opportunity to analyse issues and build scenarios for policy choice and orientation. More than ever before, there is an opportunity to rethink and shape the agenda for the next decades, strengthening labour market information systems, governance of social sectors and building on technological opportunities including block chain and big data tools to shape policies for the future.

Both the risks and the opportunities put demands on skills development and lifelong learning. In fact, they highlight the need to invest in skills in education and training institutions, in companies, as well as in promoting a lifelong learning approach in all countries.

How countries reacted

Beyond immediate health protection measures, all countries in the EU Neighbourhood have adopted measures and programmes to ease the negative socio-economic impact of the pandemic and support the stabilisation of economies.

As in many other countries and regions around the globe, the instant and devastating effects of lockdown and restrictions called for immediate policy actions mainly focused on keeping businesses afloat and safeguarding jobs. Next, countries have prioritised social protection measures such as increasing unemployment benefits, pensions and social assurance (non-contributory) benefits or expanding the coverage of the social protection systems, in a few cases this means covering returning migrants or workers in informal contexts.

Out of the general set of active labour market measures, many countries prioritised employment subsidies (e.g. tax or social contribution relief) or subsidies to companies to encourage them to keep workers. Many public employment services (PESs) are faced with a significant inflow of registered jobseekers against the backdrop of already weak capacity to deal with pre-crisis unemployment levels (in many countries the ratio of PES advisers to unemployed is extremely high).

Upskilling and reskilling measures are also rather weakly represented in crisis responses. This is justified as during the first phases of crisis and lockdown, health, income loss and economic blockages were the major risks. With the gradual lifting of restrictions and resumption of economic activity, although still not at full capacity or potential, it becomes clear that certain economic sectors, production and trade patterns and general demand for workforce will not go back to pre-COVID-19 normality and it will probably change quite dramatically.

This section provides an overview of key measures for safeguarding companies and workers, protecting the most vulnerable and preparing the ground for the relaunch of the economy. Although upskilling/reskilling or other workforce adaptability measures have featured in some countries, human capital development responses have been somewhat weaker in the EU Neighbourhood regions. The coverage, as well as impact, of these measures is yet to be verified. As for the education and training response, so far we only know the actions that have been carried out. These confirm that all countries have intervened in all areas at risk, although opportunities have perhaps not yet been fully grasped and the strategic role that skills can play in ensuring a quick and sustainable future has not yet been fully understood.

A. Support to companies and workers

In general, countries have focused on rapid public interventions to prevent the destruction of enterprises and huge job losses. Actions have included large stabilisation packages, expanding public borrowing limits and providing liquidity to enterprises through access to credit and guarantee schemes, small and medium sized enterprises (SMEs) in particular. It has also involved temporary exemption from payment of taxes and/or social insurance contributions. The fiscal effects of such measures are still to be assessed and compensatory budget measures may affect the consolidation pathways of many countries.

The types and intensity of measures differ from country to country depending on economic structure, most exposed companies or sectors and national and external financial resources to support such programmes. Below are some highlights from each region.

South Eastern Europe and Turkey

The government of **Albania** adopted a financial package to provide social support for citizens and companies targeting small businesses once economic activity ceased. Both employees and the self-employed benefitted. In **Bosnia and Herzegovina**, the EBRD is a major partner to SME support and is working with intermediaries to restructure existing loans to SMEs to keep them afloat, including adjusting repayment schedules. Also, they are reinforcing their advisory services with greater emphasis on online advisory support for SMEs, and particularly to ones owned by women. The government of **North Macedonia** initiated a support programme for companies and workers by subsidising contributions for employees of companies in the tourism, transport and catering sectors along with other affected companies. The National Bank has promoted more favourable credit standards for companies affected by the crisis and eased the standards for household and corporate loan restructuring. In **Montenegro**, payment of taxes and contributions on salaries has been postponed and new credit lines were made available to improve the availability of liquidity for entrepreneurs, micro, small, medium and large enterprises, targeting the most affected sectors. A wage subsidy has also been put in place for the months of April, May and June 2020 for companies in the tourism, transport and hospitality sectors. **Kosovo**[5] has adopted a stabilisation and support programme targeting companies and workers at risk of being fired or those working in the most exposed sectors during pandemic (e.g. health sector, food distribution etc.). The plan includes covering two months' salary for employees; providing top-ups to employees in essential sectors and offering financial liquidity for micro-enterprises, the self-employed and business organisations/companies providing basic services. **Turkey** has launched a stimulus package (Economic Stability Shield) to tackle the pandemic. It includes reducing interest rates, tax breaks and deferrals, along with credit guarantees and delays in loan repayments. Social security premiums will be deferred by six months for the retail, iron and steel industries, shopping malls, automotive, entertainment and hospitality sectors, food and beverage businesses, textiles as well as events organisation. In cases where weekly hours of work have been significantly reduced, or where activity in the workplace is partially or totally terminated, it is possible to apply to ISKUR (Public Employment Service of Turkey) for the payment of a short-working time allowance. In **Serbia**, the government will pay a minimum monthly salary to every employee of a micro, small and medium sized enterprise for a period of three months, covering more than 900,000 people. The government has also announced guarantee schemes for loans for the maintenance of liquidity and working capital for small business owners, SMEs and agricultural enterprises. The payment of payroll taxes and contributions will be deferred. Tourism, transport and logistics are the hardest hit. The Investment-Development Fund

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[5] This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

offers working capital loans to companies in the sector of medical supplies, tourism and hospitality, and food processing.

Eastern Partnership and Russia

The government of **Armenia** will pay a grant equal to the cost of the salary of every fifth employee to companies with up to 100 employees that have retained their jobs since the Covid-19 crisis began. The Ministry of Labour and Social Affairs and social partners have initiated amendments to the Labour Code to regulate labour relations during the state of emergency. Three main types of measure to support companies are in place: 1) subsidized 2-3 year loans to provide support to affected companies and SMEs; 2) direct subsidies to SMEs to help them to maintain their staff/ employees; (iii) grants to entrepreneurs and companies. **Georgia** will waive income tax for six months for employers retaining jobs during pandemic. **Moldova** is putting similar measures in place, applying a six-month deferral of tax payments, reduced interest rates and additional liquidity to banks. A reduced VAT rate for the hospitality, restaurant and catering sector is also in place, as is some assistance for business continuity (full or partial reimbursement of payroll taxes) for companies forced to close. In **Ukraine**, small and medium-sized employers who have stopped or reduced their activities can receive partial unemployment benefits to cover the cost of wages for workers whose working hours have been reduced. Other initiatives include measures to save jobs, simplify access to finance through the guarantee of new loans and launching grant programmes, reducing business costs by refinancing loans and reducing the tax load. In **Azerbaijan**, the government has allocated over 11 million USD to the tourism industry to cover the salaries of the workers. Tax concessions and business support measures have also been applied. SMEs in the **Russia** have been badly hit by the COVID-19 situation. The Ministry of Economic Development announced an anti-crisis package for small and medium-sized businesses and is helping the industries most affected by the outbreak. Companies mostly benefited from tax breaks, direct subsidies to pay salaries as well as a reduction in employee insurance payments, according to the Commissioner for Entrepreneurs' Rights.

Southern and Eastern Mediterranean

In **Jordan**, the government introduced measures to support a partial postponement sales tax for three months and early payments of employee salaries for companies affected by the restrictions. Other initiatives are in place such as the one launched by Mercy Corps, a MicroMentor programme to support micro to medium-sized enterprises. Through the platform, mentors assist and communicate with entrepreneurs whose work has been affected by the crisis. They provide assistance with financial planning, re-locating, applying for and managing loans and other forms of financing, diversifying income streams and increasing online sales. In **Lebanon**, the government took office on 11 February 2020, with a mission to 'rescue' the country from its financial and economic crisis through key reforms. Since then, and after a five-week suspension of legislative sessions, Parliament convened twice in April and May for two legislative sessions to respond to the repercussions of the pandemic and the worsening financial crisis. The Chamber of Commerce has contributed to consultations with the Central Bank to initiate a financial support scheme for companies. Accordingly, the Central Bank has issued a resolution which allows banks to grant exceptional liability, on previously granted loans for companies at 0% interest for the next five months. This resolution started in May 2020 and is helping to ensure continuity in the payments of operational expenses for companies, staff salaries included. Furthermore, the 'Lebanese

Economy Oxygen Fund' was launched in April in coordination with the Association of Lebanese Industrialists and the Ministry of Industry. In **Morocco**, multiple measures have been adopted by the government to mitigate the financial impact of the crisis: suspending social contributions, delaying income tax payments, allowing a moratorium on bank interest for certain categories of companies. In **Egypt**, the EBRD provided QNB Alahli, Egypt's second-largest private bank, with a USD 100m financial aid package for the companies most affected, in particular SMEs, as part of the EBRD's COVID-19 Solidarity Package. Also, the 'Egypt will pass' initiative was launched by the Ministry of Planning and Economic Development together with the Terous Misr Foundation to encourage the private sector to maintain employment. **Israel** introduced incentives to companies that commit to keeping on at least 70% of employees and subsidised unpaid leave. In **Palestine**[6], the Palestine Monetary Authority (PMA), in coordination with the Prime Minister, announced a package of banking facilities for the private sector and the business sector, which include for example postponing the monthly payments of all borrowers from the banks, directing new credit to SMEs and startups, granting temporary credit limits to clients, and setting up a USD 300 million support package for support SMEs.

Central Asia

As a priority, **Kazakhstan**, **Kyrgyzstan**, **Tajikistan** and **Uzbekistan** have taken measures to improve and ready their health systems and support macro-economic stability. All countries have introduced a mix of tax relief and deferral, with some also introducing special measures for SMEs or specific sectors (KZ and UZ). Kazakhstan, Kyrgyzstan and Uzbekistan have developed national plans or funds to channel support measures. However, only Kazakhstan and Uzbekistan have so far been able to set up comprehensive anti-crisis packages (amounting to 9% of GDP for Kazakhstan and 1.5% of GDP for Uzbekistan) that support both employment and specifically also target SMEs and entrepreneurship. In Kazakhstan, the government increased the volume of state guarantees for SMEs and introduced a three-month tax exemption measure. Furthermore, additional measures were introduced for SMEs engaged in the most affected sectors of the economy, including catering, transport services, consulting services, hospitality business, tourism, and others.

B. Support to jobseekers and vulnerable groups

In general, the partner countries have focused on raising the amount of social benefits, be they unemployment benefits or pensions or (non-contributory) social protection allowances. Several countries have also expanded access to social security or social assistance benefits for various categories of beneficiaries, including informal workers or migrant/mobile workers.

In some cases, unemployment insurance funds or budgets dedicated to unemployment are used to compensate workers who have experienced shorter working hours or whose jobs have been temporarily suspended due to the pandemic. Such interventions (e.g. Turkey, Ukraine), in principle, mean that these categories of people remain employed, at least from a statutory perspective.

In the first iteration of socio-economic mapping done by the ETF in May-June 2020, there are few references to adjustments to active labour market measures, apart from shorter working

[6] This designation shall not be construed as a recognition of a State of Palestine and is without prejudice to the individual positions of EU Member States on this issue.

arrangements that can be considered rather passive unless combined with training/up-skilling and other individual development measures.

Beyond income replacement or financial support measures, many countries have adjusted registration procedures and interaction with beneficiaries, jobseekers or other categories exposed to job or income losses. Priority has been given to online solutions and a rapid digitalisation of service delivery or easing bureaucratic procedures. Although the effort put in place by all governments has been massive, in several surveys run by both national statistical offices as well as international organisations, issues related to accessibility as well as delays in receiving subsidies has been raised in several countries. This comes on top of the difficulties faced by informal workers and citizens missing basic skills and literacy, that risk, in some countries, a further exacerbation of poverty, malnutrition, violence and despair.

Below is an overview of highlights from countries that are addressing jobseekers and groups at social risks specifically.

South Eastern Europe and Turkey

Albania has increased the amount of social assistance and doubled the value of unemployment benefits. Similarly, **Kosovo** increased the value of social assistance benefits for three months and included additional payments to pensioners and social assistance beneficiaries who are receiving lower benefits. The government plan has also targeted people living in poor social conditions, who are declared unemployed and receive no other income from the public budget. The country has also included in its anti-crisis plan a specific measure focused on the most deprived communities that have been hit hard, in particular Roma, Ashkali and Egyptian communities. In **Montenegro**, the Ministry of Labour and Social Welfare has prioritised income support measures to pensioners with low pensions and social assistance beneficiaries (around 20,000 people). The Instrument for pre-Accession has revised its support to include stimulation measures. **North Macedonia** implements a comprehensive social support programme that includes both unemployed and informal workers, to offer faster access to the social protection system: 20,000 households received a targeted benefit and a specific allowance for employees who have lost their jobs due to COVID-19.

Eastern Partnership and Russia

In Eastern Europe, countries are providing support to vulnerable groups (including the elderly and underprivileged) through income and access to supplies. **Armenia** has made lump-sum transfers to vulnerable categories (including people who have lost their jobs as a result of the COVID-19 outbreak, families, children, micro-businesses, temporary part-time employment). In **Azerbaijan**, 83,000 families (more than 350,000 people) received targeted social assistance, while the Ministry of Labour and Social Protection of Population has reported a 6.8% increase in the number of people receiving social assistance (as compared to the same time last year). Also, Azerbaijan is looking at preventing abuse and wrongful termination of labour contracts and is trying to increase the protection of workers through enhanced labour inspections. In general, PES capacities are problematic due to an increased inflow of jobseekers and the tight labour market situation. In **Georgia** the challenges are even greater since the National Employment Agency had only just been established before COVID-19 and the new organisation had not managed to recruit the staff to work in the agency, or even succeeded in getting the service provision of the ground, which was interrupted throughout the country. Income replacement measures are targetting those who lost their jobs who will receive a benefit for six months (around 350,000 citizens). Other financial compensatory measures focus on the self-employed, socially vulnerable and people with severe disabilities and disabled children. **Moldova** introduced higher unemployment benefits for both insured and uninsured categories and the eligibility criteria have been widened to include returning migrants. Child allowance has been also doubled for uninsured people and the minimum income guarantee has been increased as well. Given the migration profile of Moldova, the COVID-19 socio-economic impact is manifold. A higher unemployment rate is expected as higher rates of returns increase pressure on the domestic job pool; vulnerable family members of those working abroad are now cut off from remittances; demand for specialised health workers around the globe will probably augment the brain and skill drain in the sector and overall the loss in remittances will influence financial flows, GDP formation and consumption led growth.

The **Russian** government has approved a package of support measures and increased the ceiling for unemployment benefits; those registered as unemployed after 1 March will receive maximum unemployment benefits for April to June 2020 and parents with minors will be issued with additional payments.

In **Ukraine**, the government has introduced a number of legislative changes to simplify the conditions for registration with the employment services and obtaining unemployment benefits during the lockdown period. The minimum amount of unemployment benefits for the period of quarantine and for 30 days after its completion has been increased. Unemployed people registered with the employment service receive benefits from the first day of receiving their status, even those who resigned during the quarantine period by their own volition (before quarantine these kinds of unemployed people received these payments after 91 days of being granted their status).

Southern and Eastern Mediterranean

In **Tunisia**, the government put in place financial support for vulnerable households, but coverage has been limited. Between 29 April and 8 May, INS together with the World Bank undertook a phone survey with over 1,000 households. The survey shows how the crisis has further deteriorated an already fragile socio-economic situation. Over one-third of households has had difficulties in meeting food security needs, which is especially felt by poor families in more remote areas. Over 60% of the families interviewed say that they have felt the impact of the crisis, mostly due to lost jobs or by increasing food prices. More than half of the interviewees have not been able to work during the lockdown, and the majority of those out of work (60%) state that they have not to have received any compensation. In **Palestine**, the Ministry of Labour issued a Labour Sector Response and Recovery Plan that describes the government's efforts in putting in place a concrete set of policy interventions. The plan targets businesses and workers in different situations with different instruments, with a focus on the most vulnerable workers and those that have sustained a loss of earnings due to the shutdown of economic activity. In **Morocco**, one in five families have received state aid (*programme Ramed* and *programme d'aide aux salaries*) to compensate for jobs lost. Furthermore, a direct transfer of 100 euros to most affected citizens (whether they were in employment or not) was put in place as a mitigation measure to help them deal with the pandemic. In **Lebanon**, the government has granted 200,000 families (760,000 individuals) cash assistance of LL400,000 for the month of April. It is hoped that this aid will continue and turn into a ‘Citizen Income’ for the 2,400,000 people living below the poverty line. Meanwhile some companies have managed to find the means to support their staff to date. However, 200,000 workers were unemployed and as many are surviving on half their salaries. In **Jordan**, the Social Security Corporation suspended old age insurance for private sector employees for three months, as of 1 March 2020 and reduced the social security subscription ratio for institutions and employees from 21.75% to 5.25%. Additionally, the Social Security Corporation launched an online platform to receive applications for in-kind aids, aimed at helping daily paid workers who have been affected by the COVID crisis and low-income adults aged over 70. In **Egypt**, to mitigate the impact on un-organised labor force workers, the government has introduced monetary compensation for informal workers via online an registration process in a Ministry of Manpower database.

Central Asia

At the social level, all countries have introduced some form of support for vulnerable groups, though in many cases the focus is on food security and the distribution of essential goods to large numbers of citizens, especially in rural and more remote areas. **Kazakhstan** has instated monthly income support, which is regularly made available to 4.5 million people. Both Kazakhstan and **Uzbekistan** have been able to actively support employment via a strengthening of their employment programmes (among others via enhanced public work provisions in Uzbekistan) and wage subsidies (Kazakhstan). Despite the lack of evidence on specific employment programme related measures, both **Kyrgyzstan** and **Tajikistan** are concerned about the impact of the decreased of flow of remittances, as well as returning migrants. The International Organization for Migration (IOM) launched an urgent appeal for USD 7 million to ease the impact of pandemic on migrant communities in six countries (Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Turkmenistan and Uzbekistan) until the end of 2020. The appeal includes proposals to provide safe and appropriate living conditions to migrants stranded in main destinations and transit countries, to support safe return to their homelands, to mitigate the socio-economic impact of the crisis on migrants and their families.

C. Support to economic transformation and innovation, including skills upgrading or reskilling

As regards the variety of country responses in the context of the crisis, there are relatively limited measures targeting economic transition, innovation, upskilling and reskilling issues.

One exception is the push for digitalising economies and public services, e.g. rapid adoption of online solutions to work, promoting products or services and trade, or service delivery and interaction with citizens and companies at the level of public administration.

The prioritisation of company and individual support measures is understandable in the short term, given the magnitude of the crisis and the lockdown conditions. However, sectors, economies and people’s expectations change and signal the need for deep transformation. Digital, green and agility seem to be the backbone of recovery efforts. Therefore, countries and the international aid community need to reflect on the feasibility of boosting innovation and deeper economic transformation (not only digital) and help individuals to embrace new opportunities through upskilling and reskilling.

In summary, partner countries focused on the following:

South Eastern Europe and Turkey

North Macedonia increased the budget allocation for its Innovation and Technological Development Fund to support the development of domestic start-up products and services. The Development Bank of North Macedonia unblocked interest-free loans worth EUR 31 million to all micro and small companies and it will also offer a 30% (non-refundable) grant for those companies that are run or founded by women or employ young people, are export-oriented or introduce innovation and digitisation in their operations. It will further support the placement of companies in new markets and improve competitiveness, for the private sector through the industry competitiveness programme, and in cooperation with chambers of commerce, to develop a digital platform for the textile, footwear and furniture manufacturing industries. The government is helping the textile industry to create a digital platform into which companies can place their products.

Turkey, **Montenegro** and **Serbia** are pushing the agenda for smart specialisation. In all countries in the region, SMEs get support through dedicated grant and loan schemes. The Public Employment Services have taken steps towards a digital and multichannel delivery of services, while managing an increased inflow of jobseekers. Regional and country strategies for digitalisation are being implemented encompassing both infrastructure and connectivity priorities and helping to increase access to digital skills development.

Eastern Partnership and Russia

In **Azerbaijan**, the Ministry of Labour and Social Protection of the Population announced a plan to establish vocational training centres in Guba, Barda and Sheki regions in the near future. The aim is to build a modern infrastructure for training courses for the unemployed and job-seeking citizens in these regions in accordance with the requirements of the labour market. Vocational courses will be organised for those who have difficulty choosing a suitable job due to a lack of specialisation, or who need to change their profession due to a lack of jobs on the labour market, which has become even worse under the current conditions. Graduates will be provided with vocational certificates and employment in new professions. The State Tourism Agency foresees training courses for workers in the sector, a new online platform, changes to the foreign marketing strategy, promotion of the domestic tourism and support to the industry.

In **Moldova** (as in other countries), the EU and the IFIs continue to support SME development through access to credit and other boosters to their businesses after the crisis. The EU will launch a new ICT Innovation Centre in the city of Cahul and will provide grants to innovative start-ups. These initiatives will complement the existing grant scheme and business development services for Moldovan SMEs.

In May, **Russia,** through its Ministry of Education, launched a set of measures for retraining and advanced training for those who have lost their jobs due to the crisis. The training is organised in 1,500 college workshops equipped in line with international standards. As a first stage, they plan to to train 110,000 people, and in future the plan is to reach 500,000 people.

Southern and Eastern Mediterranean

In **Palestine**, a rapid skills gap assessment is being conducted to identify the skills needed to help to absorb the excess of labour supply following job losses and layoffs due to the crisis. It will include the rapid development of skilling and re-skilling curricula and e-learning programmes designed to prepare the work force for emerging jobs and promoting teleworking, increasing digitised tasks, etc. In **Morocco**, access to financing by SMEs and very small enterprises has been boosted by putting in place a number of tools, including for the self-employed, the implementation of 0% interest rate credits that should be reimbursed over three years. The interest will be fully covered by the insurance sector which will contribute DH 100 million to guarantee the mechanisms set up by the state, through the Central Guarantee Fund. In **Lebanon**, work is underway to develop the policy of the national social protection system, captured under a joint UN programme providing support to policy development and strengthening strategic frameworks. Among the five priorities that address issues of social protection, are SME support and promoting a business environment to support the recovery and future business development. In May 2020, the **Jordan** Enterprise Development Corporation (JEDCO) launched two programmes to support local small and medium industrial enterprises. The programme supports businesses who want to venture into e-commerce, and introduce their products online, as well as supporting SMEs that are transforming their production or scaling it up to support the manufacturing of medical supplies, equipment and public safety clothing for export purposes. In **Egypt**, the Ministry of Education and Technical Education (MOETE) has been fast in responding to the crisis by setting up digital and online learning systems. It is now trying to capitalise on these experiences to feed longer term policy work. It remains to be seen how far employees in need of reskilling and upskilling will also be able to benefit from newly introduced programmes and tools that support the further outreach of online learning.

Central Asia

Kazakhstan, **Kyrgyzstan** and **Uzbekistan** were able to invest quickly in shifting to digital distance education provision, also involving technical and vocational training centres. While more information is available in terms of actions supporting the education and training provision, there is much less as regards the labour side and skills support programmes, with the exception of Kazakhstan, where several programmes include elements of skills as well as upskilling and reskilling initiatives. This includes the development of a digital Skills Bank of the Electronic Labour Exchange (Enbek.kz), which includes a focus on standards for several professions and free online training accessible through the platform in several specialities. It is foreseen that by the end of 2020, more than 50,000 unemployed citizens will have joined the platform and made use of its services. Furthermore, a specific programme for training PES personnel has been launched and included more than 1,500 employees during the months of lockdown.

The role of skills in future policy choices

Countries of the EU neighbourhood and Central Asia have been severely impacted by the COVID-19 outbreak and its restrictive measures, and the consequences on socio-economic conditions resulting from economic downturn and job losses will be harsh in all countries. We have seen how increased vulnerability and the polarisation of already fragile conditions are at stake in all countries. We have also noted how all countries have reacted actively to the emergency, putting the health of citizens first, and ensuring measures for social support and protection are accessible to large groups of the population. These measures have also steered opportunities for certain sectors as well as pushed companies towards to accelerated in terms of diversifying products and innovating services.

Since we might be about to face the most transformative period of economies and societies since the industrial revolution, the main issue will be to secure a balance between the human and digital dimensions of the post-crisis recovery.

Several priorities can guide the recovery efforts in the EU Neighbourhood and Cental Asia to prepare for a different socio-economic paradigm post-Covid19.

1. Developing or more decisive implementation of national strategies to foster digital transition with clear skills development components;
2. Adapting education and training systems to the new needs of digital economies and societies, and opening them to all citizens of all ages;
3. Innovative partnerships and balanced regulatory models for supporting sustainable "new forms of work";
4. Social protection measures with universal coverage, and reducing inequalities and vulnerabilities;
5. Strategic and targeted investment in digital transformation and combating climate change.

We have noticed how emergency management measures have not focussed much on skills development, upskilling and reskilling. From past crises, this would seem to be a relatively normal reaction as countries tend to start by focussing on mitigating social and economic risks and alleviating pressure on the population. Nevertheless, we know from the past, that countries failing to consider skills development and skills strategies as they face the post emergency and recovery phase, are likely to fall into protracted roller coaster scenarios as regards their economic development, social inclusion and human capital performance.

To make sure that countries can capitalise on the opportunities that have arisen as a result of the crisis, build on the outstanding responses that they have put in place and mitigate the risks that the economic recovery will entail, there are five pointers that policy makers should to consider for the future.

1. Incentivise skills development programs, upskilling, reskilling in all economic sectors

As companies face the consequences of the crisis and benefit from access to several measures addressing their economic downturn and liquidity needs, governments should ensure incentives as well as opportunities are brought to the attention of both employers and employees to gain new skills that could inform future production, services, and trade opportunities. This can include formal training including increased collaboration and a more prominent role for education and training providers, centres of excellence, universities, to actively contribute to creating opportunities for skilling, upskilling and reskilling. Furthermore, mentoring, coaching programmes for skills development at enterprise level should be incentivised. This will provide a solid opportunity to achieve impact at system level, including increasing digital competences and skills as well as green skills that could provide enterprises with access to new products and markets. Countries should focus on inclusive skills strategies that take into account the needs of diverse groups of citizens, including older workers that are at higher risk of dismissal as companies are looking to quickly move to new models of production and services, building on technology and digital opportunities.

2. **Invest in digital services and training of public services staff**

The emergency acted as an accelerator for the provision of new services offered to citizens, new modalities of access to services as well as the use of big data and block chain technologies to manage the pandemic and cater for vulnerable groups. As the work of public actors evolves and takes into account the evolution of markets and new opportunities as well as technology, it is essential to invest in expanding the resources of Public Employment Services (PES), to devise and implement innovative active labour market measures. In general, the evaluation of ALMPs has been traditionally an underdeveloped or rather an ad-hoc practice in many partner countries. Consequently, the evidence on what works or not in various socio-economic conditions, including in pre, during and post-crisis contexts is rather limited. Investing in the capacity of the public sector to address a new generation of ALMPs is essential for the future.

3. **Face the numbers to address areas of vulnerability**

Countries that took the opportunity of the emergency to obtain new evidence and data, especially with regards to vulnerable groups and informal workers, should continue building on this important step. Looking at the numbers is the primary and most important action to start acting on a problem. It is essential to consider the evidence generated and work with it to shape policies and active labour market measures that can support a sustainable and inclusive future.

4. **Protect and support education and training, and transition to work for the COVID-19 generation**

In 2020, millions of students lost access to educational services, in particular practical training and apprenticeships. Companies also have less time to invest in young people, unless their digital skills are considered critical for the recovery and the need to shift to new services. The COVID-19 crisis has accelerated education transformations towards digitalisation and online solutions; but the digital divide has prevented many students from socially vulnerable backgrounds from following courses consistently, leading to an accumulation of learning gaps. Vulnerable groups, such as rural residents, people with low levels of education, members of certain ethnic minorities, people with disabilities, are exposed to job losses and their employment prospects are dire in tight labour market conditions. Education decision makers, schools and training providers and businesses should help young people overcome these challenges, recuperate the learning lost and enhance their skills and abilities to take up a job. Upskilling and more efficient measures to help their transition into employment are a must.

5. **Don’t give up on innovation**

The support and financial packages and health protection measures come with a large price tag and put pressure on national budgets. This may limit funding availability for investments, human capital development, innovation and other development stimuli. Giving up on the future will not pay off in the medium term. The COVID-19 emergency has brought plenty of innovation opportunities, pilots, ideas as well as cooperation between public and private actors. No country has to give up on this, as it is there that the seeds for a more inclusive, greener and sustainable society have now been planted.

While we don't know what the second part of 2020 will bring, we do know that we have work to do. We can achieve a lot with the experience gained over these past months to further support skills development for the future of all citizens. Skills will not solve the pandemic, but without skills the future after the pandemic will be much more difficult.

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