

Insight Report

COVID-19 Risks Outlook

A Preliminary Mapping and its Implications

Societal anxieties

Emerging risks from social disruptions

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MARZIO TONIOLO VIA REUTERS

COVID-19 and the resulting economic crisis may lead to sustained unemployment, deeper inequality, generational frictions and continued stress on people's well-being. Two risks with significant societal effects were identified by the survey respondents as top challenges by likelihood and concern for the world: "high

levels of structural unemployment" and the "restricted movement of people and goods". The social dimensions of these economic risks will be felt by people worldwide and create substantial societal consequences for the long term.

Income and wages – a rise in new and growing inequalities?

The global economic fallout of the pandemic is expected to leave deep scars on the job market. Unemployment in the US, for instance, skyrocketed to 25% in only seven weeks.⁴³ While extraordinary fiscal measures and safety nets have been deployed in many advanced economies to protect jobs, maintain a link between employers and employees through furloughs, and provide income support and wage-sharing, it remains to be seen if these measures can prevent mass lay-offs in the aftermath of the crisis. The International Labour Organization forecasts massive unemployment with SMEs and the informal sector having particular difficulty in sustaining or recovering business.⁴⁴ Meanwhile, the sudden freeze in commercial activity and services has hit the poorer population disproportionately,⁴⁵ in many places forcing households to face the moral dilemma of having to choose between going to work to generate income for bare necessities, or staying home to protect their health and that of their families.⁴⁶

Gender inequalities may worsen from cuts and lay-offs

In numerous economies the shift to remote work during the lockdown has been rapid, but it has primarily been effective for – and applicable to – white collar work. Many occupations requiring physical presence are less able to adapt.⁴⁷ Gender inequalities may worsen as men and women occupy different roles among the jobs affected by cuts and lay-offs.⁴⁸ The pressure for automation and digitalization is likely to increase from the current shock, even among sectors that recover, thus exacerbating technology-based job disruptions for which workers are ill-prepared. This would particularly affect

at-risk workers without access to reskilling, upskilling and redeployment support,⁴⁹ adding to a growing digital divide. For those in sectors that do not fully recover, the risk of long-term unemployment and poverty is high, especially in the absence of retraining, income support and other active labour market policies.

Higher demand for “essential workers”, often among the lowest paid, may help improve their wages and job quality. However, their continued exposure to health risks during the current pandemic and in future ones could create concern among workers in these roles and discomfort among society more broadly. The rise of remote work for high-skilled workers is likely to further create labour market imbalances and a growing premium for those with the most mobile skills.

Finally, employers will need to manage the psychological effects of the lockdowns on their workforce as they return to work – for example, employees’ low morale following isolation, hyper-stress from confinement or a general fear of large gatherings and face-to-face meetings. Additionally, hasty public- and private-sector policies run the risk of complicating return sequencing, which would increase the chances of leaving behind some of the workforce. While some companies prepare to adapt to new regulations in offices, others may plan for a permanent shift to remote work for parts of their workforce or hybrid approaches,⁵⁰ making permanent some of the inequalities revealed by remote work today.

Public services – security, safety nets and public goods under pressure?

While the short-term efforts in advanced economies have been largely welcomed in

backing health systems and jobs, there is concern about their longer-term viability. Additionally, such support in many developing economies is largely missing and pandemic-related priorities risk disrupting the limited funding for other societal imperatives.

In many advanced economies, mounting budget deficits⁵¹ from countries spending aggressively⁵² to secure their social protection systems – focusing on healthcare and unemployment benefits – coupled with weak growth in the medium term could mean less funding for security, housing, food, education or other key social programmes.⁵³ Beyond the immediate crisis, failure to adequately and permanently fund public healthcare systems could overwhelm them in some economies. Not only does this increase the risk of successive waves of infections of COVID-19, but also of exacerbating other growing threats, such as non-communicable diseases, vaccine hesitancy or the effects of climate change.

Additionally, ongoing humanitarian crises and military conflicts are in danger of worsening,⁵⁴ while new ones could emerge. Disrupted global supply chains and protectionist measures could lead to increased food insecurity, particularly in developing countries;⁵⁵ forced migration is likely to increase from worsening conditions for economic advancement; and a decrease in humanitarian aid may follow stressed public budgets – a leading concern for the world, flagged by one of every four risk experts surveyed and among the most likely to occur according to one of every five.

Personal freedom – a long-lasting impact on civil liberties?

To decrease the spread of the virus, longstanding human, civil and political rights

such as freedom of movement, assembly or worship have been limited in many countries, which in turn has unavoidably limited access to public areas and services that fulfil vital necessities. These measures have proven effective to “flatten the curve of infections” and have generally received popular support, as reflected in soaring approval ratings for many country leaders during the early stages of the pandemic, between February and April.⁵⁶ However, certain restrictions, especially those relating to technological surveillance, could be maintained beyond the pandemic,⁵⁷ challenging some core civil liberties. Such constraints on personal freedoms could have long-lasting effects on people’s social behaviour and their political activity,⁵⁸ with potentially a bigger shift towards new ways of exercising political and social rights online. This would increase pressure to expand e-government and exacerbate exposure to the associated cybersecurity risks and citizen privacy concerns.

Furthermore, ambiguous, contradicting or unreliable information from official channels about the necessary steps to be taken to contain the virus further – or avoid a second wave – and re-launch the economy⁵⁹ could permanently undermine people’s trust in institutions and spark anger against government policies in general, even against policies that aim to ease the economic fallout of the pandemic. Additionally, disagreement between varying levels of governments and societies could see increased tensions about the distribution of competencies for future catastrophes this magnitude.

“Constraints on personal freedom could have lasting effects on behaviour”

Public health – a rise in non-communicable diseases and mental health concerns?

Uncertainty about the post-pandemic economic and societal landscapes has already had an immediate impact on people's well-being. Remote work, while a privilege in comparison to those wholly at risk of losing jobs, has created additional new stresses for remote workers. Tight containment policies have seen individuals and families being locked in for weeks, and workers and students alike barred from their jobs or education. With homeschooling the only solution to continued education, the psychological burden is increased on parents and children alike. Early lockdown studies found that up to 45% of adults felt adverse effects on mental health,⁶⁰ up to 37% showed signs of psychological distress⁶¹ and up to 70% felt this period was the most stressful of their careers.⁶² At the same time, those deprived of social interaction reported feeling highly worried about the impacts of isolation.⁶³ Additionally, there are specific risks for women and girls in particular, as an increase in domestic violence has been reported across the globe.

In the long term, health effects from the lockdowns will put additional stress on healthcare systems. Studies based on earlier lockdowns during pandemics found increased levels of post-traumatic stress disorder.⁶⁴ It is estimated that a 1% increase in unemployment

leads to a 2% increase in the prevalence of chronic illness.⁶⁵ While some restrictions will ease over the following months, others will most likely stay in place for a longer period – including “social distancing” – and

perhaps for as long as 2022 according to several studies.⁶⁶ On top of the health issue, this could lead to a change of conventional social behaviour that could increase lasting levels of xenophobia,⁶⁷ a citizens-only approach to policy-making⁶⁸ or even an intra-national communal divide⁶⁹ if the fear of infection looms over daily lives. Feelings of stigmatization, loneliness or abandonment could increase with dire effects for those who are unable to adapt to the “new normal”; a recent study in the United States found that social distancing interventions risk increasing suicide rates.⁷⁰ Mental health effects are likely to vary as exposure to restrictions differs between professions, age groups and health status. Groups highly vulnerable to COVID-19 could face prolonged preventive lock-ins that can lead to severe fatigue and increased anxiety. Similarly, people close to retirement are at risk of being affected disproportionately by the crisis, as job insecurity would compound with the stresses of an underperforming economy, reduced pensions, an embattled consumption power and not being able to fully make up for the lost time and income. The pandemic could accentuate the risk of increased old age poverty,⁷¹ as the UN Secretary-General has warned.

With the greater focus on the pandemic, many other services in healthcare systems, including those related to serious non-communicable diseases such as cancer and heart disease, have been affected and may continue to suffer from underinvestment in the near future, opening up new sources of societal distress and public health concerns.

Youth under pressure – a new lost generation?

A 2018 study showed that “the Great Recession and its aftermath significantly widened the

80%: students out of school during lockdowns worldwide

wealth gap between young and old”.⁷² Just a decade after the 2008/2009 financial crisis, the Great Lockdown poses significant educational and employment challenges that could bring about a second lost generation.

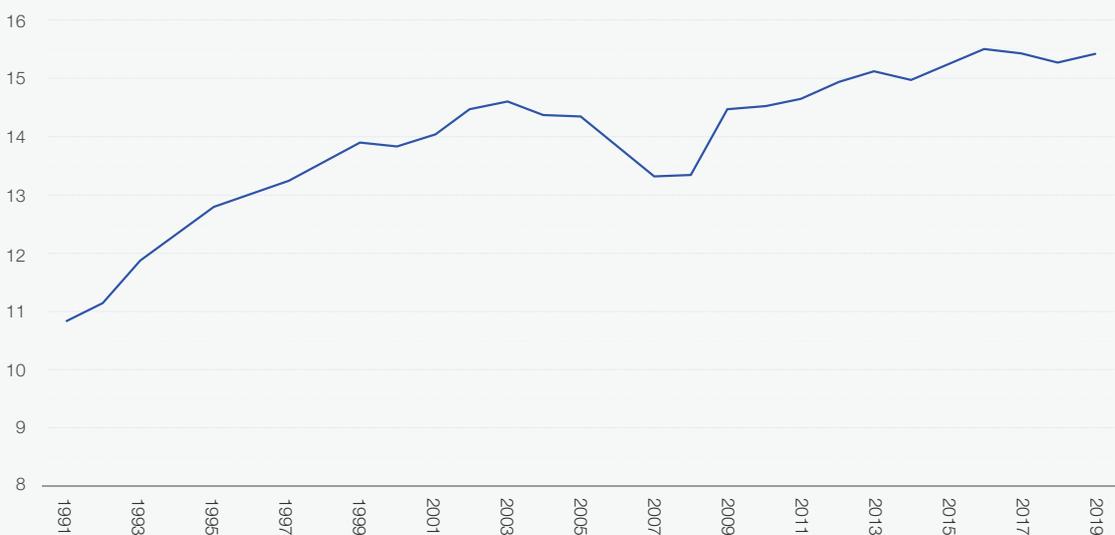
“It’s an old people’s disease” is a fundamental misperception, as COVID-19 will have lasting repercussions on youth. Whereas the elderly risk a higher rate of death and pension funding challenges, young workers and students of

FIGURE 3.1

Share of people at the age of 30 earning more than their parents in the United States, by year of birth



Global youth unemployment (% of total labor force ages 15-24)



Sources: (top) Chetty, et al., “The fading American Dream: Trends in absolute income mobility since 1940”, Science, 2017, <https://science.sciencemag.org/content/356/6336/398>; (bottom) World Bank, “Unemployment, youth total (% of total labor force ages 15-24): (modelled ILO estimate)”, <https://data.worldbank.org/indicator/SL.UEM.1524.ZS?end=2019&start=2004>



Generation Great Lockdown is at risk of becoming the next lost generation

Generation Great Lockdown are at risk of becoming the next lost generation. Parts of this cohort have long been disenfranchised by the 2008/2009 financial crisis. Youth employment had just recently returned to pre-2008 levels in developed economies, while the share of young people earning more than their parents had become the lowest on record (Figure

3.1).⁷³ In developing countries, however, youth unemployment has risen steadily,⁷⁴ creating a risk of social unrest. The current crisis has a high potential of further aggravating labour market conditions for this generation.

Today's young workers are often self-employed, members of the casual, informal and gig-economy labour markets, or are employed by SMEs. These sectors were the first to be affected by the economic shutdowns.⁷⁵

For those still pursuing education, the pandemic is likely to cause unprecedented new inequalities. It is estimated that by the end of March 2020, 80% of the world's enrolled students were out of school – more than 1.6 billion students of all ages.⁷⁶ Yet, education systems have been affected differently across regions by considerable online access gaps,⁷⁷ the lack of necessary tools to follow online courses or the inability to adapt educational spaces at home. These gaps have multiple cascading effects, such as failing courses, failing to access higher education, and premature and forced dropouts due to parents' unemployment, especially for girls and young women, which would complicate entry into the labour market and exacerbate inequality. Moreover, deeper educational shortfalls and

the economic consequences of the pandemic could increase the risk of vulnerable youth being targeted by radical groupings or organized crime.⁷⁸ To not lose the Generation Great Lockdown, but instead enable it to become the Generation Great Reset, with all its opportunities, the public and private sectors should include investing in youth as a driving element of the recovery efforts.

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