Trade Union
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TUAC

Briefing on the Coronavirus Crisis:
Origins, Development and Policy Response

Paris, revised 23 March 2020

This briefing describes how the coronavirus crisis unrolled, as well as the current outlook. Among other questions, the note intends to answer what type of crisis this is: are we back again to a 2008 scenario? What policies have been put in place to fight it? Are they adequate to support the economy in the short and long run?

Executive summary

(Annex I presents French and Spanish translations of the Executive summary)

The crisis caused by the coronavirus is proving deeper than initially expected, leading the OECD to constantly revise growth estimates downwards.

Representing above all a health emergency, the COVID-19 crisis poses an exceptional conundrum to policymakers: swift actions taken to fight the pandemic have negative effects on the economy, making macroeconomic counter-policies less effective in containing the recession. Different approaches are emerging: suppression versus mitigation strategies.

The economic crisis started as a pure supply shock, with China battening down to prevent the virus from spreading, and thus disrupting global supply chains. As time goes on and the coronavirus spreads globally, rigid containment measures depress demand, turning the supply shock into a classic economic recession.

Certain sectors, particularly in services, will not be able to recover for the lost time, no matter what: tourism, restaurants, culture, services to the person, air, sea and land transport are going through very hard times and will not be able to sustain current stress levels for long. The spillover effect on trade and investment could ripple across sectors and across economies.

Governments are responding through targeted measures prioritising businesses, in order to preserve their liquidity levels, such as credit guarantee schemes and tax deferrals.

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On the employment side, measures include widespread temporary lay-off schemes and unemployment benefits, in addition to extended sick and parental leaves. However, measures to protect household income and jobs might prove insufficient.

Furthermore, the current size of interventions, roughly at about 1% of GDP, is not adequate to fight the negative impact of the recession, which could easily cost up to 10% of GDP in most affected economies.

By the end of the year, and despite measures taken to support workers and businesses, the prospects are of a massive surge in unemployment and social disruptions. Financial markets, which have been strongly rising until present, on the back of very accommodative monetary policies and quantitative easing, are already undergoing abrupt corrections and could well risk triggering a corporate debt bubble burst.

Is this crisis similar to the one in 2008? There are similarities in the urgency of the situations, but differences too, that point to further pessimism. Aside from monetary policy, which has run out of ammunition in a zero bound interest rate environment:

- This is a crisis spreading from the real economy to the financial sector, not the other way round;
- Labour market institutions are (even) less protective than they were in 2008;
- Economies are even more interdependent through global supply chains;
- There is currently a lack of appetite for international co-operation, which undermines the ability to effectively intervene on the global level in fighting the crisis.

Similar to 2008/2009, the crisis might see resurgence of bailing out operations and the controversies these create.

In the longer run, there is a strong need for rethinking and reforming the current economic model.

Table of contents

The unfolding of the coronavirus crisis

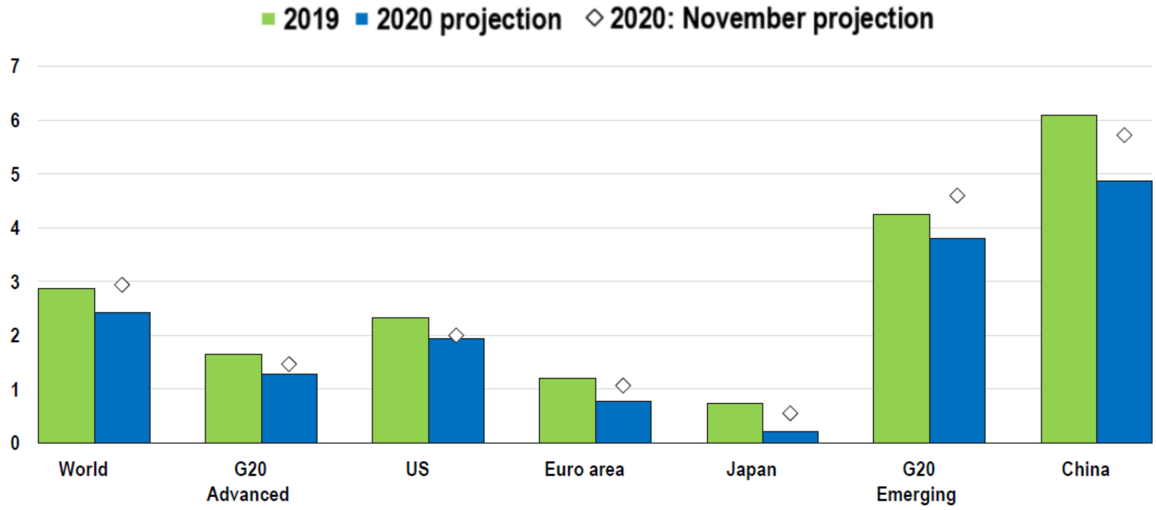
On 2 March 2020, the OECD published its Interim Economic Assessment, under the title *Coronavirus: The World Economy at Risk*. The assessment focused on the impact of the SARS-CoV-2 virus (commonly referred to as coronavirus) on the global economy, cutting previous GDP growth forecasts to a band between 2.4% (best case scenario – where the epidemic was contained to China and a few more locations), and 1.5% (worst case scenario – with the virus spreading unstoppable from Asia to Europe and North America).

The TUAC response, *Coronavirus, but not only*, highlighted that even the most optimistic OECD forecast amounted to a global recession, and that the impact of the virus on the economy was made stronger by a feeble aggregate demand ever since the global financial crisis of 2008. As such, what was still a relatively confined supply shock by February 2020, was about to have an exponential impact on most developed economies, already struggling to achieve sustained growth rates over the last decade.

In just about two weeks, the outlook drastically worsened. Italy, Spain, Germany and France are among the worst impacted countries by the coronavirus and, with the current exception of Germany, among those that have introduced the most drastic measures in order to contain the pandemic (closure of most activities and strong limitations to people movements). Together, the four of them account for roughly 55% of the European Union's GDP, up to 75% when considering the euro area only.

It should thus not come as a surprise that the OECD cut further its freshly released growth forecasts (Figure 1), bringing expected growth in the euro area from 0.8% to a round zero.[i] For Germany, already growing at half the euro area average in 2019 (0.6% against 1.2%), this will probably mean open recession, as well as for Italy, which was staying just above water well before the coronavirus spread across the country (0.3% of growth in 2019). Spain and France, experiencing a higher growth at respectively 2% and 1.3% in 2019, have just started to cope with the long wave of the COVID-19 pandemic, and will be strongly affected, as well.

Figure 1 – GDP growth. %, year-on-year, OECD revisions



Source: OECD Economic Outlook database.

Mitigation versus suppression: the hard choice between health and the economy

In the absence of a COVID-19 vaccine, the pandemic represents, first of all, a human health emergency, secondly a severe economic threat and thirdly a potential challenge for democratic institutions. The stronger the authorities' response to the health crisis, the harsher the economic conditions will turn, because they will pose evident limits to economic activity, beyond those induced by the pandemic itself. Expansionary macroeconomic policies can mitigate the economic downturn, but will not completely offset it, as explained by Pierre-Olivier Gourinchas in a recent note (Figure 2).[ii]

Figure 2 – Flattening the pandemic and recession curves

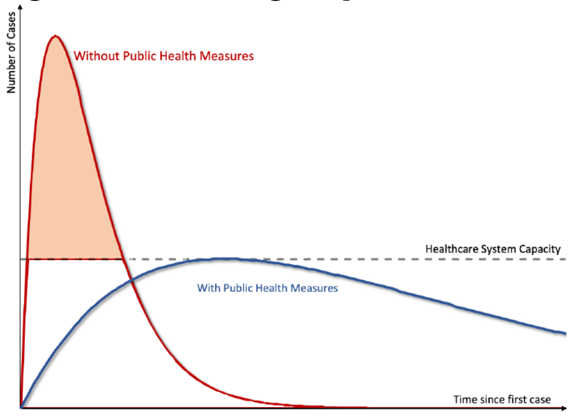


Figure 1: Flattening the Pandemic Curve

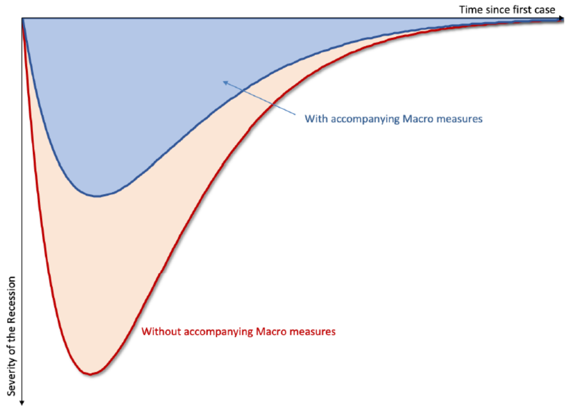


Figure 2: Flattening the Recession Curve

Source: Gourinchas, P.O. (2020)

Another report by the UK-based Imperial College[iii] assesses the pros and cons of the two public health strategies that have been used so far: (a) mitigation, which focuses on slowing but not necessarily stopping epidemic spread through relatively mild measures (home quarantine of those living in the same household as suspect cases, and social distancing of the elderly and others at most risk of severe disease); and (b) suppression, which aims to reverse epidemic growth, through strict confinement and control of population measures.

In the short term, mitigation is economically less disruptive, while creating better conditions for population immunity (in the absence of a vaccine). However, it comes at a high human cost (projections say hundreds of thousands of deaths for countries like France, the United Kingdom, Germany). Suppression, as the preferred policy option of China and South Korea, is clearly more effective to reduce the human cost in the short term. It implies an intensive "intervention package" to control the population, but it remains to be seen whether it is sustainable in the long-term, and whether the social and economic costs of the interventions adopted thus far can be reduced (in the absence of collective immunity).

The mitigation versus suppression policy choice poses sensitive questions for democracies. Commenting on the Imperial college report, Jean Pisani-Ferry tweets: "*the human cost of a pure mitigation strategy is unacceptable, whilst a pure suppression strategy is unsustainable over time. Can the "Asian strategy" of testing and tracking be a way out (after suppression)? Examples of Korea, HK, Singapore (leave China out because of its political regime) are impressive but involve a high level of social control made possible by technology. Demand for surveillance will inevitably rise as the death toll increases. Authoritarian temptations will strengthen (remember the low level of trust in democracy). The challenge is to define rules and devise systems that combine effectiveness and respect for privacy*"[iv].

The spreading from China to Europe

The economic recession emerged when Chinese authorities imposed a lockdown on several provinces in late January 2020, disrupting the provision of key components across global supply chains and halting production for many Western companies. At the time, the health emergency was mostly contained to China, with few individual cases elsewhere. By the middle of February, South Korea started registering an exponential increase in coronavirus positives, followed a couple of weeks later by Iran and Italy. As the epidemic started to appear unstoppable, and local health authorities in affected regions quickly became overwhelmed, governments in Asia started to invoke suppression strategies with drastic measures to confine the population, shutting down shops and restaurants, imposing limitations to circulation and closing down national and international transport connections, in a desperate effort to contain the disease. To this day, the number of registered cases is still on the rise, but is starting to be effectively contained in both China and South Korea.

Since then, the centre of gravity of the pandemic shifted to Europe. While Italy is already overwhelmed with the effects of the pandemic, Spain, France and Germany are starting to show similar progression rates, registering an increasing number of cases and hospitalisations. Therefore, as recently as the middle of March, both Spain and France introduced severe confinement measures, similar to those in place in Italy. Other countries, such as Denmark and Belgium, followed similar lines. This is marking the second phase of the COVID-19 crisis, in which the stalling of major European economies is triggering a severe demand-driven recession. The forced halt to businesses affects negatively, albeit at different intensity, all economic sectors.

While the outbreak is spreading to other regions outside Asia and Europe, not least to North America, but also South America and Africa, medical experts say that while it will take at least one year to fully develop a vaccine against the coronavirus, keeping social distances and confinement in place could reduce the virus's impact in two months' time[v]. In all circumstances, the virus will put significant pressure on all countries, the economy and the health sector.

Developing countries and countries already struggling with a humanitarian or a refugee crisis could experience a more severe pressure than well-developed welfare states. In many developing countries, social distancing is difficult to enforce and income and/or job support is almost non-existent, whilst health care systems remain fragile.

The spillover effect from trade and production, to consumption and further investments

Even if global supply chains are being progressively restored, the lack of demand prevents production from surging to pre-crisis levels. While some manufacturers might be able to dig into accumulated stocks to meet delayed demand, certain sectors, particularly in services, will not be able to recover for the lost time, no matter what: the tourism sector, culture, services to the person, air, sea and land transport are going through very hard times and will not be able to sustain current stress levels for long[vi]. Small businesses in non-tradable services are also hardly hit by current confinement measures and will risk massive losses in turnover, lay-offs and bankruptcy if the crisis prolongs further.

Rough estimates show that if containment measures reduce a country's output by roughly 50% the first month and 25% the second month, this could cost 10% of GDP at the end of the year (Gourinchas, 2020). Notwithstanding the fact that the virus is yet to spread across most countries, applying such projections to currently most hit European economies gives an idea of how strong the negative spillover effects of the virus on our interdependent world economic system will be.

To provide a plastic example, the OECD TiVA database[vii] tracks the origin of value added in the final demand of more than sixty countries. It can be used to calculate how much the reduction of a single country's GDP will impact a partner economy. In the case of Germany alone, a 10% fall in GDP would trigger a 0.6% to 0.8% decrease in value added from countries strongly embedded in the German supply chain, namely Poland, the Slovak Republic, Hungary, Austria and the Czech Republic. The effect will be much stronger in the context of the current crisis, pushing the whole European Union into recession.

The oil shock

The coronavirus crisis has had other consequences, too. Already in January, the drastic fall in Chinese output and the progressive limitations on transport and travel led to falling prices in oil markets. The situation precipitated at the beginning of March, when the OPEC+ failed to reach an agreement on supply cuts, due to opposite interests of the Russian Federation and Saudi Arabia. This led Saudi Arabia to massively increase its output and plunged oil prices by 60% compared to a year before, now below 30 USD per barrel.[viii] This poses a concrete challenge to the United States, which turned into a major shale oil producer in recent years, notoriously more expensive to extract than crude oil.

Oil prices are not expected to recover quickly, since no party shows interest in finding an agreement. In addition, world demand for energy remains restrained as the economy lingers due to the coronavirus. Falling oil prices will lead further down inflation rates, but this will hardly boost stalled consumption, making it even harder for central banks to meet their inflationary targets. In addition, the impact of the oil shock also shows how far away our economies are from a low-carbon, low-fossil fuel scenario, and the efforts that policy-makers will have to make to achieve this goal.

Beyond the demand crunch, what to expect?

Massive unemployment and social disruptions

As the crisis is very likely to tighten, a massive increase in unemployment rates with long lasting effects on workers and households is expected: according to the International Labour Organization, almost 25 million jobs will be lost due to the COVID-19 pandemic.[ix] The proportion of unemployed could drastically rise well above the current 5% average OECD rate, as it did after 2008-09, putting.

The social impact will of course be even more pronounced for workers in lower-paid or precarious jobs (in which women are over-represented) and in non-standard forms of work, which have grown in number since 2008. Similarly, lower-income households will clearly be affected. In addition, younger workers will see their employability in more stable employment drop, as witnessed with the last crisis. This is particularly worrying as youth unemployment, as well as informal employment, un- and under-employment are already considerable.

Financial markets: risking the corporate debt bubble burst

The period of low interest rates and accommodative monetary policy that characterised the global economy since the financial crisis of 2008 is unprecedented. It helped maintain our economies afloat through a constant inflation of financial assets and the increased accumulation of corporate debt – businesses over-exposing themselves through easy credit, while re-using part of it to inflate equity through share buybacks. In a recent report, the OECD found that, since 2008, non-financial corporations built up unprecedented levels of bond debt, reaching USD 13.5 trillion worldwide[x]. Thanks to low interest rates, corporations were able to increase their leverage ratios while preserving credit ratings. However, 52% of issued bonds are rated BBB, which is the bottom line demarcating investment from non-investment grade bonds. Since 2010, approximately 20% of newly issued corporate bonds were below this line, up to 25% when considering bonds issued in 2019 only. A deterioration of market conditions, spreading from stocks to bonds, would thus lead a significant share of corporate debt to fall under stress, bringing the private sector debt bubble to collapse.

Well before stock markets plunged in late February 2020, it was becoming apparent that a prolonged period of market growth, with major stock exchanges growing rapidly over the past eleven years, was bound to end. The coronavirus was the trigger that brought the longest bullish market in history to a sudden fall, at a similar speed as in 2008-09[xi].

Is a rise in public debt a concern?

Deficits are bound to rise, as tax revenues fall and governments act to contrast the coronavirus. In the euro area, deficit differentials between core and peripheral countries will spread again, leading to similar economic and political frictions to those witnessed in 2011-2012. Yet, global public debt does not currently represent the same systemic risk as private debt. According to the Bank for International Settlement, by end 2019, private sector debt was equivalent to 144% of world GDP, compared to 72% of GDP for the government sector[xii]. Given the current interest rates and purchase programmes set by most central banks, debt sustainability does not represent a real issue in the short term, as long as growth is preserved, even for heavily indebted countries like Italy.

Nevertheless, government debt would still be exposed to market turmoil and the risk of self-fulfilling prophecies, when rapid sell-offs triggered by a fall in investors' confidence lead to rapid rises in debt servicing costs and credit rate downgrading. Several developing economies have already or are close to defaulting, including Venezuela, Argentina, Lebanon and a number of African countries[xiii]. Within Europe, Italy poses the major threat: its economy has been stagnating for the past two decades, registering decimal or nil growth rates, and is the European country most impacted by the coronavirus. With a curent GDP of EUR 1.8 trillion, the lockdown imposed on Italy's most productive Northern regions could cost, in two months' time, anything between EUR 100 and 300 billion, though the magnitude is anybody's guess. The collapse of an economy the size of Italy, the second manufacturing country in the European Union after Germany, would dwarf the Greek sovereign crisis of 2011 and bring down the whole euro area. Primary emissions at the euro area level, such as "eurobonds" and "coronabonds", would be a safe and effective financing tool, at low interest, for supporting all economies in current circumstances, but the political will to implement these kinds of instruments is, as in the past, absent.

The policy response

Given the fast unrolling of the COVID-19 crisis, governments and social partners are responding with almost daily interventions (see Annex II for a detailed summary of undertaken actions). The efforts of governments and central banks to help "restore investors' confidence" does not come as a surprise, given the pressure caused by the crumbling stock market on a highly indebted private sector. Targeted measures prioritise businesses, in order to preserve their liquidity and prevent extended bankruptcies. These include bridge loans and credit guarantee schemes, deferrals in value added, income and corporate taxation, and social contribution payments. On the employment side, measures include strengthened temporary lay-off schemes, increased and simplified unemployment benefits, extended sick and parental leaves, workplace sanitation and relying on teleworking in order to reduce physical contact.

The short term fiscal and monetary policy response

Governments and central banks are starting to realise the magnitude of the challenge, promising unlimited measures to preserve the economy from fully bankrupting. Certainly, drastic fiscal intervention was long overdue[xiv], and the direction of current policies is positive. However, in terms of the size of government support, most generous figures do not represent direct fiscal injections, but allocated credit guarantee schemes for companies in distress (EUR 500 billion in Germany, EUR 300 billion in France). Direct fiscal intervention in support of companies and workers is more in the tens of billions, rather than hundreds: EUR 45 billion in support of French companies, EUR 25 billion in Italy, split between companies and workers. The European Union has also allocated EUR 25 billion of emergency funds in support of workers, small and medium enterprises (SMEs) and the health system[xv]. Ultimately, the European Commission proposed the activation of the "general escape clause", which would suspend the stability pact, allowing EU countries to run as much deficit as needed to confront with the crisis.[xvi] Also, it is working on easing state aid rules, to allow governments to directly intervene in support of domestic companies without breaching EU rules.[xvii]

Central banks have extended most accommodative monetary policies to support governments. The US Federal Reserve cut its reference rates between 0 and 0.25%, while launching a USD 700 billion Treasury and mortgage bonds buy programme.[xviii] Bank of Japan announced increased purchases of Japanese government bonds and measures to facilitate corporate financing.[xix] Bank of England cut its interest rates to 0.1%, and launched a GBP 200 billion quantitative easing programme.[xx] The European Central Bank also stepped in, announcing a Pandemic Emergency Purchase Programme worth EUR 750 billion, which will be addressed at buying unconditionally corporate and sovereign bonds until the end of 2020, potentially allowing for much more deficit spending in euro area countries than the current plans.[xxi]

Support for workers and labour markets

At the time of writing, measures to support workers and labour markets are still being issued and adjusted. They are either linked to broader emergency packages or to specific sectors/groups of workers, but in most countries they do not cover all workers. Strategies vary depending on the confinement measures taken and the strain on the public health sector. As an example for a rather comprehensive package, the Swedish government and social partners agreed on budget allocations to avoid redundancies and bankruptcies, including the provision of 90% of pay to workers upon short-term lay-offs and sick pay coverage by the government for 2 months, while companies can defer their social security contributions and some of their taxes.

In general, many of the proposed measures in OECD countries are regressive in nature, and they will not reach most exposed worker categories:

- Health professionals fighting the coronavirus on the frontlines, workers in manufacturing, retail, logistics (including transport) and others that are not lucky enough to work from home and lack effective protection of their health and working time regulation as they are faced with intensified work rhythms;
- In general, teleworking implies IT capacity and connectivity that is often beyond the reach of SMEs and regions suffering from digital divides, cutting out a big share of workers;
- Employees in transport, food, tourism and hospitality industries, which often coincide with the least paid and less protected workers, and see their jobs endangered;
- Self-employed and precarious workers who are not adequately covered by sick- and temporary-leave benefits.

Identified government measures can be grouped as follows: (1) adjustments to sick and care leave provisions; (2) job protection measures and special provisions on temporary or long-term leave; (3) telework and OHS measures; (4) specific measures for self-employed, temporary and casual workers.

Adjustments to sick and care leave provisions

As first key response to the health crisis, governments started adjusting and expanding leave arrangements for workers who contracted COVID-19, those who need to go into self-quarantine, those needing to take care of children and dependent family members, and those asked by employers to leave due to confinement (and other) measures. Some governments will guarantee full-pay sick leaves for a set period of time (Netherlands) or full-wage guarantees (Iceland). Others increased illness benefit rates for medically required isolation (Ireland[xxii]), up to 100% of the reference wage until the end of the isolation-period (Portugal). Measures that go in this direction put less strain on households and help to ensure that isolation is sustained, removing economic worries for workers. After school and educational institutions closings in multiple countries, many gaps in the rights to and payment of parental leave become apparent. New measures include therefore extension of official leave periods to take care of dependent family members. Italy introduced a 15-day parental leave for workers with dependent children younger than 12 and a babysitting lump sum of up to 600 Euros.

Job protection measures and special provisions on temporary or long-term leave

With confinement measures triggering substantive reductions in business operations and the public sector, job protection measures were implemented to reduce working time, to facilitate temporary lay-offs, social security exemptions and liquidity measures to companies to avoid lay-offs and severe strains on incomes. Policymakers took different paths. Some introduced wage subsidy schemes, relaxed tax regimes through deferrals, as well as additional credit facilities to help employers to keep workers in employment. The Netherlands, for example, introduced a 3-month ad-hoc compensation arrangement to cover wage costs and avoid redundancies. For those countries explicitly encouraging temporary leave compensation, the fairness of policies lies in the accessibility to such measures by all workers and the difference between the benefit rate and references wages. In this regard, some governments set net replacement rates per wage group, mostly with upper ceilings. Others encourage reduced working time or easier access requirements for short-time work benefits. Not many countries have yet broadened allowances to temporary/contracted workers, with some exceptions such as Germany. In Denmark, a tri-partite agreement entails for the government to cover 75% of a full-time employee's monthly salary, up to a limit of 23,000 DKK (3,100 euros) per month, with the remaining 25% paid by the company.[xxiii] For short-term/temporary workers, the government offers to cover up to 90% of the salary, to a limit of 26,000 DKK (3,500 euros) per month. Upon trade union demands, Belgium will add EUR 5.63 per day for every temporary unemployed worker, on top of the 70 % of the average salary (capped at EUR 2.754,76). Elsewhere governments relaxed requirements for unemployment benefits (Italy, Germany) and some propose direct lump sums to workers in the most affected sectors (Italy).

Telework and occupational safety and health (OSH) measures

To reduce contagion at the workplace, many governments encouraged employers to allow for telework in sectors where physical presence was deemed non-essential. In the public sector, mandatory telework for some employees was mandated (Italy). In other sectors, OHS measures were encouraged and mandated for frontline branches – as such the tripartite joint protocol in Italy provides a thirteen action-points code of conduct for safe working environments.[xxiv] Several government measures went into upholding operations in essential sectors including health, transport, energy, aged care, cleaners, health workforce, and retail. In the Spanish retail sector, an agreement between social parties reduced working hours, increased the number of part-time workers and equipped every worker with masks and gloves.

Specific measures for self-employed, temporary and casual workers

The biggest gap is to be found in supporting workers outside of a permanent employment relationship, amongst other measures by expanding access to temporary unemployment benefits. There are some advancements: social security bonuses are extended to discontinuous fixed term contracts in tourism, commerce and hospitality in Spain. Denmark introduced additional measures to offer compensation to self-employed who lose 30% or more of their turnover.[xxv] Finland and Norway are extending unemployment benefits to self-employed and freelancers, for the time being, as well.

Is this crisis similar to the one in 2008?

Today's conditions are in many aspects worse than prior to 2008, when the world was enjoying a prolonged period of low unemployment, relatively moderate growth levels and higher interest rates. Today, the economic situation remains fragile, with a high income and wealth polarisation, low productivity, stagnating wages for most workers, even higher unemployment in some countries, and lower job quality across the board. Given these circumstances, a crisis hitting the world today would hurt even more than it did a decade ago. While the current momentum resembles the global recession of 2008, today's conditions are different under many aspects.

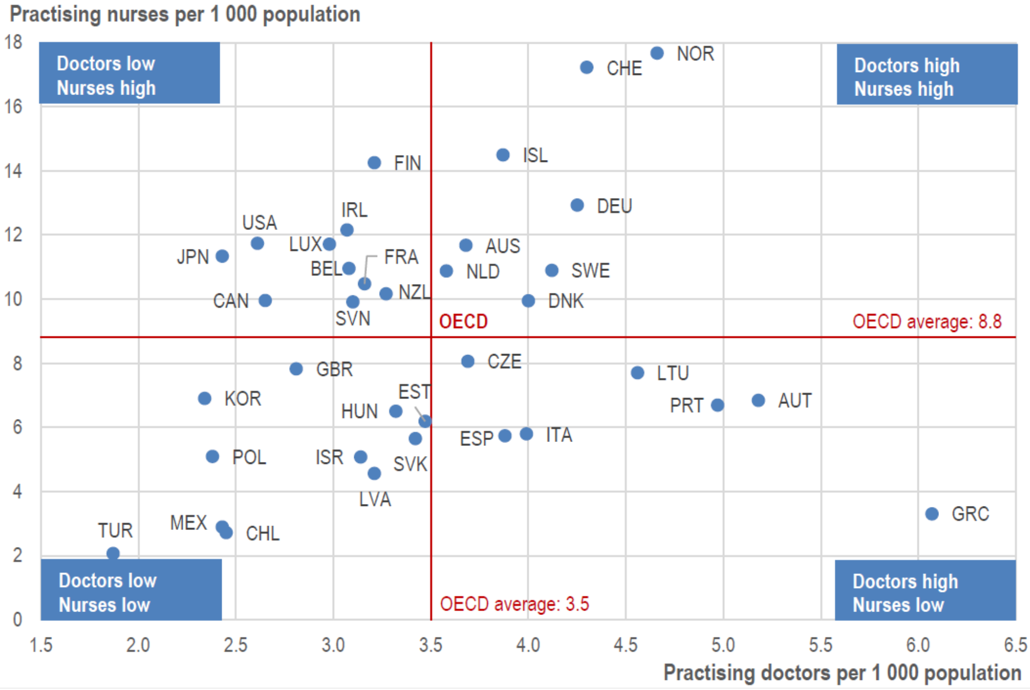
In most countries, interest rates close to the zero lower boundary, low inflation and massive liquidity injections put monetary authorities in the corner. Increasing oxygen beyond current levels might prove impossible despite monetary engineering such as negative rates, at a time when the economic cycle could rapidly worsen, leaving markets exposed.

From the real to the financial sector, not the other way around

Another important difference is the origin of the current recession: the real economy, not the financial sector. The crisis is first a sanitary and health crisis that is putting at a test the resilience of health systems, particularly public hospitals, and more broadly of public services and collective solidarity mechanism. The primary answer and solution to the crisis will therefore be in the real economy, in public services and people who are at the frontline of the crisis, not with bankers and financial specialists.

In this respect, the crisis sheds new light on the past rhetoric on smaller and more "agile" government leading to cuts in public services and infrastructure and the fear of "crowding out" private businesses and public private partnerships. The austerity cuts post-2010 in Europe for sure did not preserve the states of public hospitals. A concrete manifestation hereof is the continuing decrease of the number of hospital beds per capita in almost all EU countries between 2000 and 2017. In Italy the ratio decreased by about 30 % to 3.2 beds per 1 000 population, well below the EU average. The state of the frontline workforce is also of concern, the numb. As noted in the recent OECD/EC report on the health system in Italy: "*While the numbers of doctors and nurses per population have slightly increased over the past decade, there are growing concerns about workforce shortages, with more than half of all doctors over the age of 55. The training and recruitment of new doctors has been limited in recent years due to a shortage of internship and postgraduate specialty training places and good job opportunities for newly trained doctors, which led to the emigration of many medical graduates and young doctors. The scope of practice of nurses remains limited and no expansion has been envisaged to improve both access to care and career prospects for nurses*".[xxvi]

Figure 3 - Number of doctors and nurses in OECD countries, 2017 (or nearest year)



Source: Beyond Containment: Health systems responses to COVID-19 in the OECD, OECD 20 March 2020 https://oecd.dam-broadcast.com/pm_7379_119_119689-ud5comtf84.pdf

As the crisis is spreading to financial markets, it cannot be ignored that the financial reform agenda launched ten years ago is still unfinished business. Banking regulation and reforms have not been implemented fully and supervision of "too-big-to-fail" banks are not fit for purpose, while the shadow banking system has continued to grow and short-termist speculative behaviours remain. To give a practical example, according to the Financial Stability Board, all EU banks are "materially non-compliant" with the Basel III rules (supposed to be the basic reform post-2008)[xxvii].

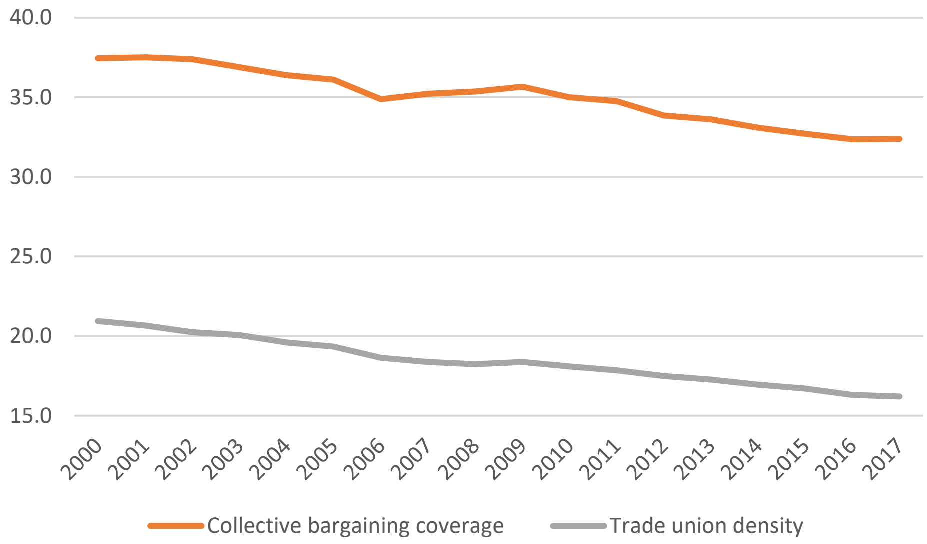
Far more interdependent and fragmented global supply chains

While the internationalisation of businesses certainly is not a new phenomenon and was well underway in 2008, the level of interdependence and complexity of global supply chains have since reached new levels. The fragmentation of production chains accelerated through the combined effect of investment and trade liberalisation and the new opportunities offered by digitalisation. The disruption to global supply chains triggered by the coronavirus has brought to surface the risks of over-reliance and geographic concentration, particularly in China and other Asian countries.

Labour market institutions are (even) less protective

Another difference from the pre-2008 world is the state of labour market institutions – collective bargaining and minimum wages – which have lower coverage and are less protective than in the past, leaving gaps for many workers facing the crisis today. Much of the recovery in employment levels and competitiveness over the past decade indeed spurred from the degradation of labour rights and the compression of wages. Structural reforms have mostly been one-directional and intended to fix the supply through increased "efficiency", boosting competition with the idea that it would single-handedly increase productivity. Job quality and adequate remuneration have been falling due to the weakening of employment protection and collective bargaining (coverage in OECD countries has dropped from 38% in 1998 to 32% in 2017), leading to increasingly flexible labour markets with limited work certainty. The notion that co-ordinated collective bargaining systems result in higher employment, a better integration of vulnerable groups and less wage inequality than fully decentralised systems, was lost.

Figure 4: OECD average collective bargaining coverage and trade union density (% of employees with right to bargain)



Source: OECD stats

The current crisis comes in at a time of rising new forms of non-standard working contracts and relations prompted by the platform economy. In the midst of the COVID-19 pandemic, food delivery drivers are unable to stop working, while not being sufficiently protected against health risks by the platform providers. In the meantime, workers in e-commerce are under immense work strain and pressure (also before the health crisis). These new business models – freeriding on neglected employment relationships and pre-empting unionisation – will not help lifting people's incomes and secure decent working conditions in the crisis aftermath. Governments and employers should work with unions to identify chances to redeploy stood-down workers into vital services during the crisis.

Less scope for international cooperation

As in 2008-2009, much is expected from international organisations and forums such as the G7 and G20. Today's state of multilateralism appears seriously fractured however. Trade wars, protectionist measures, the difficulty to reach climate agreements under the UN Climate Change Conference, the rise of populism, are just a few examples of the fragmentation in political priorities and the inability of governments to reach consensus on urgent global issues.

The comparison between September 2008 (bankruptcy of Lehman Brothers) and March 2020 (coronavirus recession spreading globally) is telling: in 2008, it took less than a month for governments to agree on the creation of a new crisis response forum, the G20, at the level of heads of state. At the time of writing, the G20 is silent although measures by Finance Ministers are expected anytime soon. A recent G7 Leaders' Statement[xxviii] offers a general commitment to "coordinate measures and do whatever it takes, using all policy tools, to achieve strong growth in the G7 economies, and to safeguard against downside risks", but no concrete action the International Monetary Fund (IMF) and the World Bank (WB). The IMF put USD 50 billion on the plate to address the coronavirus emergency, USD 10 billion of which are addressed to low income countries, the rest to middle-income economies. It is also working to scale-up to USD 1 billion the Fund's Catastrophe Containment and Relief Trust, designed to address natural and public health calamities, from its current USD 200 million[xxix]. The WB unlocked USD 14 billion to fight the COVID-19 crisis, the bulk of which will go to financial institutions and not to governments and businesses directly[xxx]. These figures appear inadequate given the size of the challenge, and likely to come with tied reform conditionality that would hamper recovery.

For a long time, the OECD has been urging increased international co-ordination and co-operation in order to maximise individual countries' monetary and fiscal efforts to boost growth. To this date, such call remains unanswered. Governments should also draw lessons from the failure of the 2009-2010 G20 coordinated fiscal stimulus package which was abruptly withdrawn in 2011 and the austerity turn taken by the G20 Toronto Summit. Continuity matters in making sure policies deliver.

The political economy of bailing out

The one strong similarity to 2008-09, is the governments' readiness to bail out private businesses. In 2009, government offered unconditional bailing out and temporary nationalisation of private banks and, to a lesser extent, key companies. At the time, these measures sparked a number of criticisms – privatising the gains, socialising the risks – including the message that TUAC shared in September 2008 ("Bailing out financial capitalism: what governments must demand in return"[xxxi]). The current EU situation exemplifies this issue: the European Central Bank should commit to supporting all member countries unconditionally, in face of the major challenges posed by the coronavirus. Existing safety mechanisms, such as the Outright Monetary Transactions (OMT) program, do not represent the best solution, as they imply a set of bailout conditions, usually in the form of structural reforms, that could prove harmful, as past examples of relief programmes in Greece have shown.

The growth model we advocate

As recently outlined in the Council of Global Unions' Joint Statement[xxxii], and other international trade union statements such as the ETUC, social dialogue and the workers' involvement in the identification of mitigating policies is crucial in order to effectively counteract the crisis and ensure that workers' priorities are met.

Temporary measures taken at a time of emergency, such as low interest rates and quantitative easing, have become common policy in order to sustain the usual run of the economy. Not only speculative financial excesses prior to 2008 have not been curtailed, but they have revived in the context of colossal market liquidity injections by monetary authorities, and the need to increase returns on investments in a context of low interest rates and limited traditional gain opportunities. Many businesses which will now benefit from generous crisis recovery packages, "burnt" a lot of profits in previous years in speculative share-buyback programmes rather than spending on real investments for the economy. As noted by the OECD "*until 2018, capital expenditures have been lacklustre for much of the post-crisis period. A key factor in this corporate behaviour is that, in aggregate, corporates have preferred to pursue share buybacks to boost returns on equity through financial leverage rather than invest in new business initiatives*"[xxxiii].

In the longer term, the current economic regime requires a profound fix, in order to achieve sustainable and shared growth. The fact that just twelve years after the major economic crisis in modern history we find ourselves on the verge of the cliff again, should be an evident indicator that the job, the first time, was not well done.

Stagnating aggregate demand results from increasing wealth and income concentration, as well as private debt accumulation. This leads to the high dispersion of productivity among firms, while on the macro level it is responsible for the fall in productivity and wage share, together with the drop in unionisation rates.

It is time to re-think national and international priorities for enhancing growth, having in mind that most developed economies are wage- rather than profit-led. Prior to the unfolding of the crisis, many international trade union organisations have prompted a rethinking of the current growth model. In 2019, the ILO Centennial Declaration and the preceding ILO Commission report on the Future of Work paved the ground for the ITUC's call for a New Social Contract. At TUAC, the Working Group on Economic Policy has been working on a new trade union economic narrative[xxxiv], founded on four policy pillars:

- A new international financial architecture;
- Combining monetary and fiscal policy for employment and sustainability;
- Reversing the trend of labour individualisation; and
- Curbing globalisation forces towards social justice and climate sustainability.

As the crisis unfolds, trade unions should both advocate and take action to preserve and protect households and workers, including the most vulnerable ones. It is also the role of trade unions to advocate for a decisive change in the model of growth, aiming for sustainable development and shared prosperity.

Annex I - French and Spanish translations of the executive summary

Note sur la crise du coronavirus

Paris, 20 mars 2020

Avec la présente note, le TUAC souhaite fournir une brève description du déroulement de la crise du coronavirus, ainsi que des perspectives à venir. Entre autres, la note entend répondre aux questions suivantes: revenons-nous à un scénario de 2008? Quelles politiques ont été mises en place pour le combattre? Sont-ils suffisants pour soutenir l'économie à court et à long terme?

La crise provoquée par le coronavirus se révèle plus profonde que prévu, ce qui conduit l'OCDE à réviser constamment à la baisse ses estimations de croissance.

Avant tout une urgence sanitaire, la crise du COVID-19 pose un dilemme aux décideurs politiques: des mesures rapides prises pour lutter contre la pandémie ont des effets négatifs sur l'économie, rendant les contre-politiques macroéconomiques moins efficaces pour contenir la récession. Les stratégies diffèrent: stratégies de suppression contre stratégies d'atténuation.

La crise économique a commencé comme une crise de l'offre, la Chine s'enfermant pour empêcher la propagation du virus ce qui en retour a perturbé les chaînes d'approvisionnement mondiales. À mesure que le temps passe et que le coronavirus se propage à l'échelle mondiale, des mesures de confinement rigides étouffent la demande, transformant une crise de l'offre en une récession économique classique.

Certains secteurs, notamment dans les services, ne pourront pas compenser les pertes engendrées quoi qu'il advienne. Le tourisme, la restauration, l'hôtellerie, les transports aériens, maritimes et terrestres traversent des temps très difficiles et ne pourront pas absorber le choc de cette crise pour longtemps. Les conséquences sur le commerce et l'investissement en général pourrait se répercuter dans tous les secteurs et dans toutes les économies.

Les gouvernements réagissent par des mesures ciblées donnant la priorité aux entreprises, afin de préserver leurs niveaux de liquidité, tels que des systèmes de garantie de crédit et des reports d'impôts.

Du côté de l'emploi, les mesures comprennent l'introduction ou l'élargissement des régimes de chômage partiel, de congés maladie et parentaux. Ces mesures de protection des revenus et des emplois des ménages pourraient s'avérer insuffisantes.
En outre, la taille actuelle des interventions, d'environ 1% du PIB environ, n'est pas suffisante pour lutter contre l'impact négatif de la récession, qui pourrait facilement coûter jusqu'à 10% du PIB dans la plupart des économies touchées.

D'ici à la fin de l'année, et malgré les mesures prises pour soutenir les travailleurs et les entreprises, il faut s'attendre à une hausse massive de chômage et des conflits sociaux.

Les marchés financiers, en pleine forme jusqu'à présent sur fond de politiques monétaires très accommodantes, font l'objet d'une brusque correction à la baisse et risquent de déclencher l'éclatement de la bulle de la dette des entreprises.

Cette crise est-elle similaire à celle de 2008? Il y a des similitudes dans l'urgence de la situation, mais des différences aussi et qui incitent au pessimisme. Hormis la politique monétaire, dont les marges de manœuvres sont limitées avec des taux d'intérêt proche de zéro:

- Il s'agit d'une crise qui s'étend de l'économie réelle au secteur financier, et non l'inverse;
- Les institutions du marché du travail sont (encore) moins protectrices qu'elles ne l'étaient en 2008;
- Les économies sont encore plus interdépendantes à travers les chaînes d'approvisionnement mondiales;
- Il y a aujourd'hui un manque de volonté pour la coopération internationale, ce qui compromet la capacité d'intervenir efficacement au niveau mondial pour lutter contre la crise.

Tout comme en 2008/2009, la crise pourrait voir la résurgence des opérations de renflouement (bailing out) et des controverses qu'elles créent.

À plus long terme, il est impératif de repenser et de réformer le modèle économique actuel.

Nota informativa sobre la crisis del coronavirus

Paris, 20 de marzo de 2020

Con la presente nota, TUAC desea proporcionar una breve descripción de la forma en que se ha desarrollado la crisis del coronavirus, así como las perspectivas actuales. Entre otras, la nota pretende responder a la pregunta de saber ante qué tipo de crisis estamos: ¿Nos encontramos de nuevo en la situación de 2008? ¿Qué políticas se han implementado para combatirla? ¿Son adecuadas estas políticas para apoyar la economía a corto y largo plazo?

Resumen ejecutivo

La crisis inducida por el coronavirus está resultando más profunda de lo que se esperaba inicialmente, llevando a la OCDE a revisar constantemente a la baja las estimaciones de crecimiento.

Habida cuenta que representa sobre todo una emergencia sanitaria, la crisis del COVID-19 plantea un excepcional y espinoso problema para los responsables políticos: las medidas rápidas tomadas para combatir la pandemia repercuten negativamente en la economía, lo que hace que las contrapolíticas macroeconómicas resulten menos efectivas para contener la recesión. Están surgiendo diferentes enfoques: estrategias de supresión frente a estrategias de mitigación.

La crisis económica empezó como una simple contracción de la oferta, con China bloqueándose para evitar la propagación del virus, interrumpiendo como consecuencia las cadenas de suministro mundiales. A medida que pasa el tiempo y el coronavirus se propaga a nivel mundial, las estrictas medidas de confinamiento deprimen la demanda, convirtiendo la contracción de la oferta en una recesión económica clásica.

Ciertos sectores, particularmente el de servicios, no podrán recuperar el tiempo perdido, pase lo que pase: el turismo, los restaurantes, los hoteles, el transporte aéreo, marítimo y terrestre están pasando por tiempos muy difíciles y no podrán soportar los actuales niveles de estrés por mucho tiempo. El efecto indirecto sobre el comercio y la inversión podría multiplicarse afectando a todos los sectores y a todas las economías.

Los Gobiernos están respondiendo a través de medidas específicas que conceden prioridad a las empresas, a fin de preservar sus niveles de liquidez, tales como los sistemas de garantía de crédito y el aplazamiento del pago de impuestos.

En lo que respecta al empleo, las medidas incluyen sistemas ampliados de despido temporal o tiempo de trabajo reducido y subsidios de desempleo, además de la prolongación de las licencias de enfermedad y paternidad. Sin embargo, es posible que las medidas para proteger los ingresos y el empleo de los hogares resulten insuficientes.

Además, el volumen actual de las intervenciones, aproximadamente en torno al 1% del PIB, no es el adecuado para combatir el impacto negativo de la recesión, que fácilmente podría ascender a un costo hasta del 10% del PIB en la mayoría de las economías afectadas.

Para finales del año, y a pesar de las medidas adoptadas para apoyar a los trabajadores y a las empresas, las perspectivas plantean un aumento generalizado del desempleo y las perturbaciones sociales. Los mercados financieros, que registrando hasta el momento fuertes aumentos, gracias a políticas monetarias sumamente acomodaticias y de flexibilización cuantitativa, ya están experimentando bruscas correcciones y podría correrse el riesgo de provocar un estallido de la burbuja de la deuda corporativa.

¿Es esta crisis similar a la de 2008? Existen similitudes en lo relativo a la urgencia de las situaciones, pero también existen diferencias, que apuntan a un mayor pesimismo. Además de la política monetaria, que se ha quedado sin municiones en un contexto de tipos de interés consolidados en la cifra cero:

- Esta es una crisis que se orienta de la economía real al sector financiero, no a la inversa;
- Las instituciones del mercado de trabajo son (todavía) menos protectoras que en 2008;
- Las economías son aún más interdependientes a través de las cadenas mundiales de suministro;
- Actualmente existe una falta de interés en la cooperación internacional, lo que socava la capacidad de una intervención efectiva a nivel mundial en la lucha contra la crisis.

Al igual que en 2008/2009, en esta crisis podrían reaparecer las operaciones de rescate, así como las controversias que suscitan.

A largo plazo, se plantea una gran necesidad de repensar y reformar el modelo económico actual.

Annex II - Economic measures taken by selected governments in response to the COVID-19 crisis

The following table provides a short summary of major measures undertaken by selected OECD governments in contrasting the coronavirus crisis. The table is updated to 19 March 2020. Constant updates on actions taken by social partners can be found at www.tuac.org.

EMPLOYMENT-PROTECTION MEASURES	BUSINESS-SUPPORT MEASURES	OTHER
AUSTRIA		
• Cash-aid to one-man businesses to fight precariousness in the current uncertain times.	• 4 billion € package to ensure liquidity to businesses through bridge loans and credit guarantee schemes. • Deferring tax payments is a possibility being currently taken into consideration.	• New driving and rest time regulations for truck drivers: To ensure the availability of food and medical goods, the government announced that driving and resting times for truck drivers will be suspended. The exception applies immediately across Austria and is limited to April 14.
Source: https://www.sozialministerium.at/Informationen-zum-Coronavirus/Coronavirus---Rechtliches.html		
BELGIUM		
• Companies impacted economically by the Coronavirus can put their workers on temporary unemployment in order to preserve employment. The amount of benefit is temporarily increased from 65% to 70% of the average capped salary until June 30, 2020. • Unemployment benefits (70% of salary) increased by additional 5,63€ per day.	• Companies experiencing financial difficulties following the spread of the coronavirus can request support measures from the Finance Ministry: spreading, deferral and exemption from payment of contributions, withholding taxes and taxes of a social and fiscal nature.	
Source: https://emploi.belgique.be/fr/actualites/update-coronavirus-mesures-de-prevention-et-consequences-sur-le-plan-du-droit-du-travail		
DENMARK		
• Tripartite agreement for firms impacted by the COVID-19 (that would lay-off more than 30% or more than 50 workers), the government covers 75% of full-time salary up to 3100 €, the rest paid by the company. For hourly employees, the government covers 90%, up to 3500 €. Scheme valid from March to June 2020.	• Liquidity to large, medium and small enterprises by postponing tax and VAT payments; • The countercyclical capital buffer has been set to zero; • State guarantees for loans to businesses, where earnings will fall more than 30 per cent due to the current situation. • Direct financial assistance to compensate companies for	• Eased requirements for unemployment benefits, as job centres remain closed for the time being.

• Payed sick leave due to Corona-virus or quarantine from day 1 + Expanded period for sick leave in 3 months • Direct financial assistance for self-employed and freelancers – like the wage compensation in the tripartite-agreement • The government covers up to 90% of salaries of workers in hotels and restaurants risking to be laid-off, as one of the most impacted sectors by the crisis.	fixed expenditures (rent and other expenditures like leasing contracts) in situations where the turnover is plummeting. • The compensation can be up to 80 percent depending on the loss of turnover. Business owners forced by the authorities to close their business will be able to receive a compensation of 100 percent of their fixed expenditure.	
Source: https://www.fm.dk/nyheder/pressemeddelelser/2020/03/trepartsaftale-skal-hjaelpe-loenmodtagere; https://fho.dk/blog/2020/03/15/trepartsaftale-skaber-stoerre-tryghed-blandt-loenmodtagerne/; https://www.finanstilsynet.dk/Nyheder-og-Presse/Pressemeddelelser/2020/Covid19_120320		
FRANCE		
• Maintaining employment in companies through the simplified and reinforced partial unemployment regime: response time of 48 hours, increase in the allocation up to the minimum wage for SMEs (until now, the ceiling was 70% of gross wages and 84% of net salary); • For parents without childcare for their children under 16, automatically covered work leave.	• Postponed payment deadlines for social contributions and/or tax deadlines; • In the most difficult situations, direct tax rebates can be granted on singular bases; • Credit guarantee support from the state and Bank of France to negotiate rescheduling of bank credits with private banks; • The French Public Investment Bank will guarantee bank cash lines that companies may need because of the epidemic; • Business mediation to solve supplier-customer conflicts; • No delay penalties for all state and local public contracts, given the current situation.	
Source: https://www.economie.gouv.fr/coronavirus-soutien-entreprises		
GERMANY		
• Workers are to be protected from unemployment by publicly financed short-time work benefits (simplified short-time benefits). More companies than before should be able to apply for the Federal Employment Agency's. • The Federal Employment Agency eases access to benefits such as unemployment benefits and Hartz IV. Hartz IV recipients no longer have to go to their	• The government pledged to use the full potential of the public owned development bank KfW to support German private businesses. The current financial framework allocates €460bn to this end, expandable to €550bn and more.	• The labour minister calls on employers to find informel and unbureacratic solutions to secure pay for parents beyond the legal basis of 2-3 days to up to 1 week – in the meantime, the government works on a solution. • The government will increase public investment between 2021 and 2024 to €12.4 billion, which will be

employment agency in person during the crisis.		entirely funded by 2019's budget surplus.
Source: https://www.bmas.de/DE/Presse/Meldungen/2020/kurzarbeitergeld-wird-erleichtert.html;jsessionid=F0A95C6A42BB0D5B7DE0905CB7447AA6; https://www.ft.com/content/1b0f0324-6530-11ea-b3f3-fe4680ea68b5		
ITALY		
• 5 billion € to expand existing temporary lay-off schemes, to cover all businesses (including less than 5 employees) and traditionally not covered sectors, such as fishery and agriculture; • Periods of quarantine are equated to normal sick leaves and paid accordingly. • 200 million € support schemes for workers who lost their jobs or have earned <10,000€ in 2019. • Special leaves for parents with children younger than 12, paid 50% of the salary for maximum 15 days or 600€ baby-sitting vouchers. Leaves can be prolonged where needed without payment but with the guarantee not to be fired and preserve their jobs.	• 600€ lump-sum paid to all self-employed workers. • March deadlines for the payment of VAT and other taxes and insurances are frozen and postponed to May, payable in up to 5 tranches. • Moratorium on debt repayment for SMEs up to September 2020, and state guarantee schemes in support of SMEs. • Tax credit worth 60% of rental costs for shops, to mitigate for the force closure of activities.	• Temporary suspension on first home mortgage repayments for up to 18 months – same measure applies to self-employed workers who register a >33% fall in revenues in the first quarter of 2020, compared to the last quarter of 2019; • Eased requirements for citizenship income, as job centres remain closed for the time being. • Tax credit for workplace sanitisation costs. • 85 million € to improve school's distance learning technologies and capacity. • Vouchers to refund all lost cultural events, in support of the cultural sector.
Source: https://www.orizzontescuola.it/wp-content/uploads/2020/03/dl_coronavirus_con_glosse_16.3.2020_vers.2.pdf		
JAPAN		
	• Promised financial assistance to SMEs. • Bank of Japan decreased interest rates to 0.25% and supports government funding by acquiring government bonds.	
Source: https://www.boj.or.jp/en/announcements/release_2020/k200316b.pdf		
NETHERLANDS		
• Salary contributions to companies expecting >20% turnover losses, for a period of three months (maximum 90% of the wage bill, depending on the loss of turnover). The condition is that no staff may be made redundant for economic reasons during the subsidy period. • Temporary, relaxed arrangement to support independent entrepreneurs, including self-employed	• Companies can apply for deferred income, corporate, wage and turnover tax (VAT) payments, at no interest rate. Any default penalties for late payment do not have to be paid. • 1.5 billion € fund for a 50% credit guarantee scheme on companies' loans, up to 150 million € per company. • For agricultural and horticultural companies, a temporary guarantee for working capital will be	

persons, so that they can continue their business. Self-employed persons can receive additional income support for subsistence for a period of three months through an accelerated procedure . This supplements the income to the social minimum and does not have to be repaid. There is no asset or partner test in this temporary assistance scheme for self-employed persons. Support under this temporary scheme is also possible in the form of a working capital loan at a reduced interest rate.	provided under the Guarantee for SME Agricultural Credits (BL) scheme. • Compensation schemes for most impacted industries (food and drinks, travel).	
Source: https://www.rijksoverheid.nl/actueel/nieuws/2020/03/17/coronavirus-kabinet-neemt-pakket-nieuwe-maatregelen-voor-banen-en-economie		
NORWAY		
• Increased temporary lay-off scheme: workdays paid by the employer reduced from 15 to 2. • Removed 3-days gap between employer's salary payment and the worker's unemployment benefits entitlement, to improve workers' income.	• Current income losses can be brought backwards to reduce owned tax amounts for 2019. • Loss making companies can postpone payments of the tax on wealth. • Suspend the tax on air passengers for flights in the period from 1 January 2020 until 31 October 2020 and suspend payments of aviation charges until 31 June 2020. • Strengthen support for skills upgrade and in-house training for companies affected by the virus outbreak, through increased grants to the counties.	• Make sure that pension rights are not affected negatively for retired health personnel that returns to service in connection with the corona outbreak.
Source: https://www.regjeringen.no/en/aktuelt/the-government-acts-to-mitigate-effects-of-the-covid-19-pandemic-on-the-economy/id2693471/		
SPAIN		
• Public sector employees under quarantine will keep receiving 100% of their salary. • Eased conditions to temporarily suspend workers, rather than lay them off. • Extended unemployment benefits (70% of last salary) to all workers laid off because of the consequences of the coronavirus, even if they were employed less than 8 months (the minimum	• 100 billion € state loan guarantee scheme. • Tax payments up to 30,000€ are postponed up to six months with no additional interests. • 14 billion € package in support of SMEs.	

necessary to achieve unemployment benefits rights). • An agreement for supermarket workers to reduce working hours, increase the number of part-time workers, and guarantee that every worker is equipped with masks and gloves.		
Source: https://www.heraldo.es/noticias/nacional/2020/03/12/coronavirus-gobierno-aprueba-moratoria-impuestos-seis-meses-inyectara-14-000-millones-pymes-autonomos-1363589.html		
SWEDEN		
• Increased temporary lay-off scheme: the state will cover up to 90% of the worker's salary. • The governments assumes sick pay responsibility for up to two months (April-May 2020). Self-employers are entitled to this measure, as well. • To reduce the risk of the virus spreading in society, the qualifying day for sick pay will be discontinued between 11 March and 31 May, in that central government will pay sickness benefit for the first day of sickness. • The Hotel and Restaurant Union in Sweden has signed an ad-hoc agreement based on the new short-term lay-off rules covering all workers except one-day hires. The period of the short-term lay-off is set at the firm level and can go up to 6 months (+ extension of 3 months). In terms of wage adjustments, a work reduction of 20%/40%/60% leads to a reduction of the salary of 4%/6%/7.5%.	• Companies can defer payment of employers' social security contributions, preliminary tax on salaries and value added tax that are reported monthly or quarterly. Company payment respite covers tax payments for three months and is granted for up to 12 months. • Tax relieves enter into force in April but are retroactive to January 2020. • The Swedish National Bank has announced that it is loaning up to SEK 500 billion to companies via the banks to safeguard credit supply. Finansinspektionen (the Swedish financial supervisory authority) has announced that it is lowering the countercyclical capital buffer to zero to safeguard a well-functioning credit supply.	• Resources for the disease carrier's allowance will be increased, as it is assumed that the number of individuals entitled to this benefit will increase.
Source: https://www.government.se/press-releases/2020/03/crisis-package-for-swedish-businesses-and-jobs/		
SWITZERLAND		
•	• The federal level has committed to a 10bn Francs package – also destined to secure the continuation of wage payments. The money is available for short-term work compensation and economic emergency aid. Sports and	

	cultural institutions will also supported.	
Source: https://www.nzz.ch/schweiz/coronavirus-in-der-schweiz-die-neusten-entwicklungen-ld.1542664#subtitle-die-neusten-entwicklungen-second		
UNITED STATES		
• The Families First Coronavirus Response Act (18 March 2020) responds to the coronavirus outbreak by providing paid sick leave and free coronavirus testing, expanding food assistance and unemployment benefits, and requiring employers to provide additional protections for health care workers. These provisions are not universal, as the act covers employees in businesses between 50 and less than 500 workers, and other exceptions apply. • Actions are being taken at the state level, including the introduction of paid sick leave (9 states), paid family and medical leave (16 states), paid leave for quarantine or public health emergency closures (5 states), unemployment insurance (7 states). However, in most cases these measures are yet to be approved and enacted. • The Federal Employee Compensation Act states that a federal employee who contracts COVID-19 while in performance of their job duties will have the full coverage of the FECA for related medical treatment and for wage loss or disability related to that condition or associated complications.	• The FED cut its reference interest rate to zero, and announced a quantitative easing programme worth USD 500 billion of treasury securities and at least USD 200 billion of mortgage-backed securities to guarantee credit to businesses.	• The Federal Court prevented 700,000 food stamp recipients from losing eligibility.
Sources: AFL-CIO, https://www.pbs.org/newshour/economy/fed-slashes-rate-to-near-zero-eases-lending-rules; https://www.congress.gov/bill/116th-congress/house-bill/6201/text.		

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