

Rethinking unemployment in the new normal



pwc



Collective response to repercussions

The COVID-19 pandemic has disrupted economies, organisations and our lives – especially how we work, communicate, and learn. Economies will likely continue to be impacted as governments and organisations experience rising debt levels. Based on the 4th edition of PwC's COVID-19 CFO Pulse Survey, 72% of Middle East CFOs are predicting the return to 'business as usual' to take more than three months.¹ The resulting slowdown in economic activity has forced many businesses to close, and in turn has led to a radical surge in unemployment levels. During the first quarter of 2020, global working hours dropped by 4.5% which translates to roughly 130 million full-time jobs.² Furthermore, according to the 4th edition of PwC's COVID-19 CFO Pulse Survey, 52% of Middle East CFOs and 59% of UAE CFOs expect to see changes in their organisation's staffing, such as furloughs, due to slower demand in the region.³

Businesses are experiencing challenges in generating and diversifying revenue streams, cutting costs, and ultimately keeping afloat. 89% of Middle East CFOs are expecting substantial reductions in both their revenues and profits.⁴ There are certain sectors that have been hit worse than others due to drastic reductions in demand for their services or products, such as hospitality, wholesale and retail, transportation, oil and gas, construction and real estate, as well as banking and finance. Businesses operating in those sectors have been profoundly affected due to disruptions in input costs, productivity, and supply chains.

The fiscal, monetary, and financial response from policymakers has been quick and substantial in supporting affected businesses and individuals. Several countries within the Gulf Cooperation Council (GCC) have taken strong measures to support their economies and protect affected businesses and households. These measures include water and electricity subsidies, credit guarantees, and liquidity support to businesses, especially Small and Medium Enterprises (SMEs).⁵

1 PwC's COVID-19 CFO Pulse Survey - 4th edition. Middle East Findings," PwC Middle East, June 16, 2020, <https://www.pwc.com/m1/en/publications/covid-19/CFO/pwc-middle-east-covid-19-cfo-pulse-survey-4th.pdf>.

2 "ILO Monitor:COVID-19 and the world of work. Third edition," International Labour Organization, April 29, 2020, https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_743146.pdf.

3 PwC's COVID-19 CFO Pulse Survey - 4th edition. Middle East Findings," PwC Middle East, June 16, 2020, <https://www.pwc.com/m1/en/publications/covid-19/CFO/pwc-middle-east-covid-19-cfo-pulse-survey-4th.pdf>.

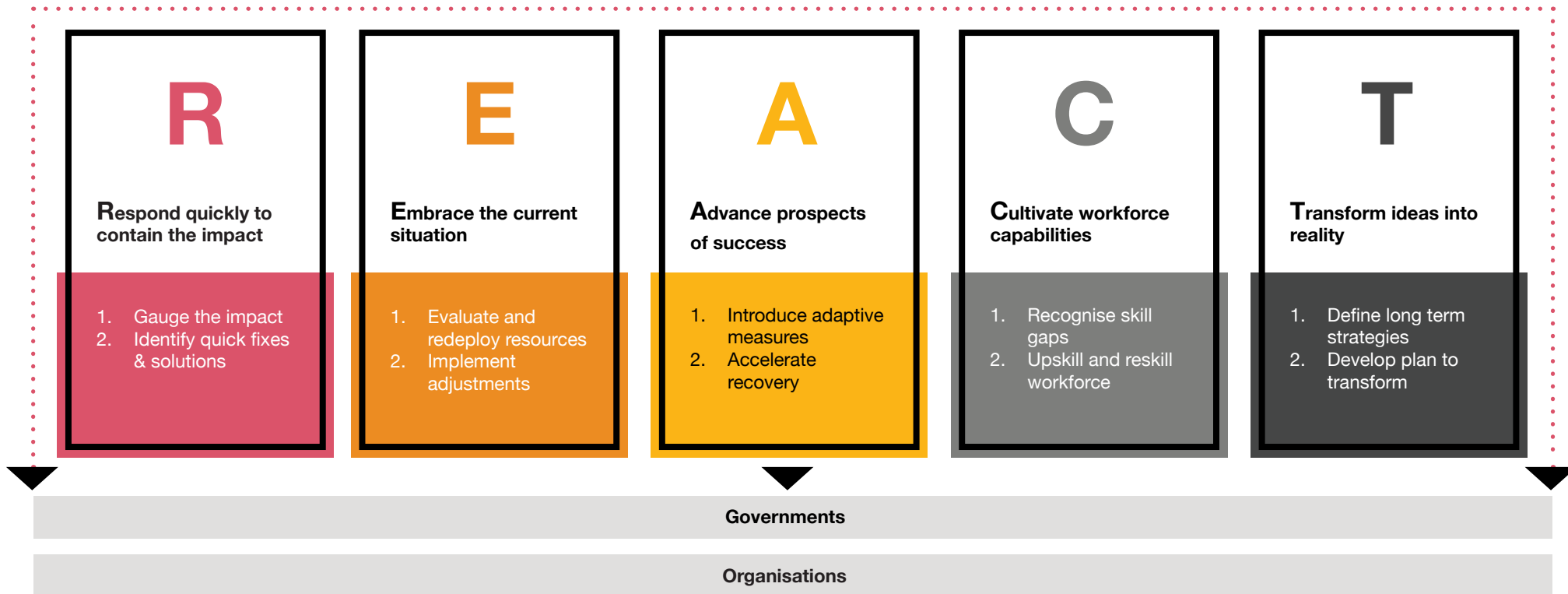
4 Ibid.

5 "Policy Responses to COVID-19," International Monetary Fund, last modified May 29, 2020, <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#>.



Key considerations for tomorrow

There are a number of considerations for governments, organisations and individuals to address unemployment and adjust to the new normal. These considerations are reflected in the PwC 'REACT' framework.





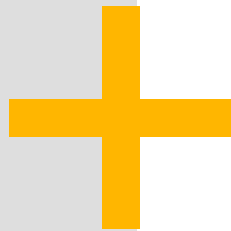
Governments

Respond through targeted support

Prioritising most vulnerable groups, particularly SMEs who are at risk of business failure and self-employed individuals who may find themselves facing unemployment and underemployment for the foreseeable future, is key. This includes supporting businesses and individuals by temporarily alleviating financial burdens to allow them to meet their short-term obligations through direct cash handouts and transfers, wage subsidies, temporary interest-free tax, social security, mortgage and rental payment deferrals, extended student loan repayments, as well as improved access to credit lines and loan guarantees.

Embrace impact and optimise resources availability

There is an imbalance of working and available resources across different sectors due to underemployment and overemployment of workers. Governments could look to redistribute and redeploy workers based on the demand and supply of available resources. They could introduce a Virtual Labour Market, where employers across different sectors can share employees – allowing for a more cost-effective way of transferring knowledge and expertise while also optimising the utilisation of available resources and displaced workers. PwC's Skills Expander is an example of a workforce development digital platform that supports businesses across their entire reskilling value chain from job matching to assessment and skills training.⁶



R

E



Advance measurements to combat unemployment

Governments could look for additional ways to combat unemployment and start implementing effective measures such as incentivising organisations to retain employees by forgiving their loans (i.e. for small organisations, loans would be forgiven if all workers are kept on payroll). Other measures which are more direct, could include relieving unemployed people from financial or tax burdens. Governments may consider supporting the unemployed in finding work by implementing country-wide job matching portals/programs, partnering with organisations and giving wage subsidies, providing start-up support for entrepreneurs with difficulties finding capital and incentivising individuals to enroll in public works.

Cultivate national workforce capabilities

The COVID-19 pandemic has only accelerated the inevitable need to transition to the new normal – remote working, and a more mobile and adaptive economy. There are many skills gaps that could arise within the contemporary workforce as new digital trends continue to accelerate the need to enhance digital skills. 98% of workers in the GCC believe that technology will impact their job prospects either by improving or impeding them, compared to 86% globally.⁷ Moreover, according to PwC’s 22nd Annual CEO Survey, 70% of CEOs in the region regard the availability of key skills as a business threat.⁸ Providing scholarships, implementing vocational training, establishing national training and development programs and initiatives that offer nationals the ability to enroll in flexible training programs and acquire professional certifications could raise awareness and promote the need for workforce upskilling and reskilling. Furthermore, it could help governments address these growing skills gaps to cultivate a robust workforce of the future.

Transform strategies to results

Sustainable and adaptive long-term strategies will act as the backbone for ensuring a successful and swift economic recovery. While many countries continue to make efforts in diversifying revenue streams, this pandemic has highlighted the need to accelerate the transition towards a more self-sustainable economy. In the case of the GCC region, governments could look at accelerating the shift from economies heavily reliant on natural resources towards those that are supported by a myriad of different industries to create jobs and drive economic growth. Additionally, it is crucial to reinforce multilateral cooperation and coordination in order to support heavily impacted countries and economies with limited resources. Countries with well-established economies can play a major role in relieving low-income countries from sustained economic fallout by supplementing national policy efforts with reduced trade barriers such as tariffs and other non-tariff restrictions. In turn, this will help increase trade and attract foreign investment to low-income countries, creating more job opportunities in the process.

A

C

T

⁷ “New world. New skills. Insights from the GCC Hopes and Fears survey,” PwC Middle East, 2020, <https://www.pwc.com/m1/en/issues/pdf/new-world-new-skills-gcc-2020.pdf>

⁸ “22nd CEO Survey - Middle East Findings. Confidence down, disruption all around,” PwC Middle East, 2019, <https://www.pwc.com/m1/en/ceosurvey/2019/pwc-middle-east-ceo-survey-2019.pdf>.



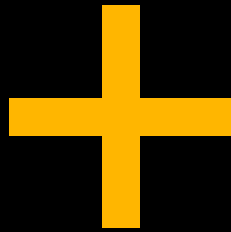
Organisations

Respond by optimising costs and diversifying revenue streams

A large number of businesses were already operating in a low growth economy before COVID-19 but the pandemic has only exacerbated the situation – leaving many businesses with considerable debt levels, surging costs, little to no revenue, and weakened balance sheets. While this is temporary, the damage has already been done and many businesses find themselves at high risk of company-wide layoffs or in severe cases bankruptcy. Organisations will be looking to reduce costs and diversify revenue streams to accelerate the recovery process. Some of the actions they can take in this respect include enforcing temporary freezes on salaries and bonuses, deferring salaries, implementing hiring freezes, revoking or delaying employment offers, re-adjusting working arrangements to reduce unnecessary travel costs, rethinking workspace needs, mandating the use of paid and unpaid leave, and furloughing employees.

Embrace workforce requirements and needs

To optimise costs, organisations must first assess their internal workforce requirements in terms of resource availability and capacity. Many businesses could be experiencing an increase in underemployment levels, and should redistribute and redeploy workers based on the demand and supply of available resources. In addition, COVID-19 has been a major catalyst of change when it comes to remote working. As such, it is imperative that organisations cater to workers' technological needs by giving them access to the latest digital tools to maintain high levels of productivity and flexibility, and to ensure that they can effectively serve their clients. This will help maintain high levels of resource utilisations until workplace restrictions are gradually lifted.



R

E

Advance current workforce strategies and policies

While the pandemic may necessitate the need for employee layoffs, terminations should remain the last resort. Businesses should consider alternative solutions to ride out today's economic situation which could include introducing talent retention schemes, revamping compensation packages by aligning them to new market realities or capitalising on the increased workforce productivity and efficiency attained as a result of remote working. Organisations will need to readjust their existing workforce strategies and policies to accommodate such changes, and to complement the agile and dynamic environment they are striving to create with the help of the latest, advanced digital platforms and technologies. Based on the 4th edition of PwC's COVID-19 CFO Pulse Survey, Middle East CFOs believe that flexible working (67%) and technology investments (62%) will enhance their company in the long-term.⁹ Finally, in the case of company-wide layoffs, companies may look to hire subcontractors or contingent workers who offer a cost effective alternative to full-time employees.

Cultivate workforce competencies and skill sets

The COVID-19 pandemic has accelerated the need and demand for upskilling and reskilling, particularly on the digital front. Remote working has completely changed the way we interact with one another, including clients. As businesses transition towards operating in a fully digital environment, employees will need to have the necessary skills and competencies to adapt. This includes developing their technical competencies in emerging technologies such as data analytics and visualisation, machine learning, and artificial intelligence. Moreover, building their cognitive, social, and emotional skills is just as important. PwC is a major proponent of promoting and implementing employee upskilling and reskilling programs, having recently announced a \$3Bn investment plan to upskill its own employees in digital training and technology over the next 4 years. According to PwC's Hopes and Fears Survey in the GCC, 75% of people seem to think robots will steal their jobs, but those being upskilled are least worried. Additionally, 96% of adults would learn new skills now or completely retrain to improve their future employability.¹⁰ As a result, it is critical that employees are equipped with the necessary skills to adapt and succeed in this new, digital environment.

Transform into the workplace of the future

The introduction and reinforcement of large scale remote working has opened up a world of endless possibilities. Large scale reskilling and upskilling of employees through virtual and digital learning platforms will soon become a reality, meaning that organisations will no longer need to invest in the infrastructure and logistics necessary for 'live' training. Employers may also look to take workforce sourcing and recruitment to the next level by recruiting top talent from abroad while having them permanently stationed in their home country, thereby negating the need for relocation and the associated costs.

A

C

T

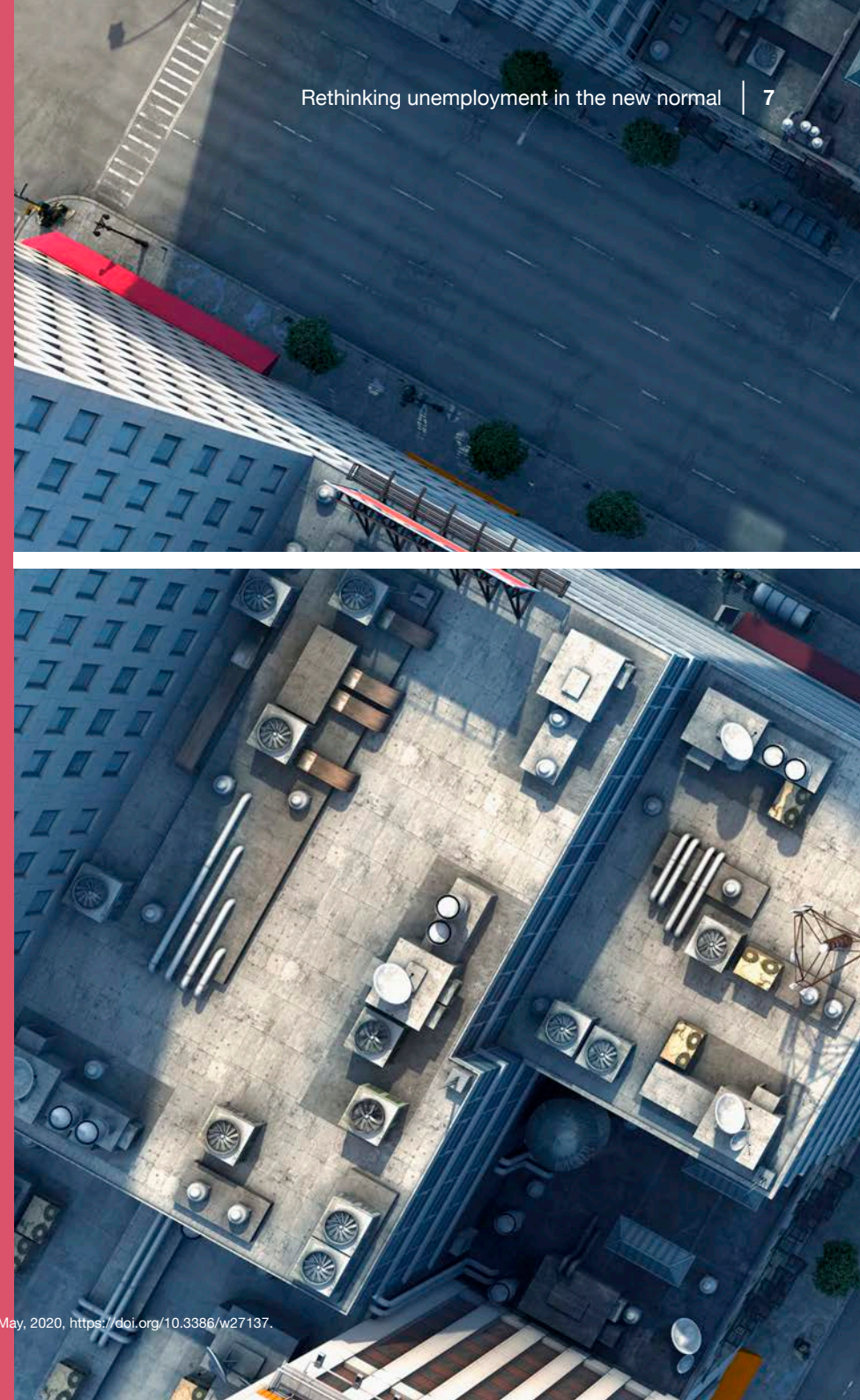
Unemployment is on the rise. It is time to REACT.

The COVID-19 pandemic and its inherent effect on unemployment has highlighted the need for adaptability and resilience in today's workforce, and accelerated the shift towards a new, digital economy. The implications of unemployment on workforce strategies and policies are broad and extensive. Employers will be looking to hire individuals with transferable skills who can adapt to the rapidly evolving workforce which paves the way for alternative workforce sourcing and recruitment strategies. Given the success of remote working and the accessibility it offers to top talent around the world, will employers now look to hire full-time workers from abroad and have them stationed in a different territory? Will permanent remote working become the new normal, and what workforce policy and regulatory framework reforms will it entail?

While governments and organisations have a responsibility to support their citizens and employees throughout this transition, individuals also have an obligation to take initiative, and invest time and effort in their own self-development. Many experts are predicting that a high percentage of job losses due to COVID-19 are permanent, leaving many people unemployed for the foreseeable future. Researchers estimate that 2 out of every 5 jobs lost due to recent pandemic-induced layoffs will result in permanent job losses.¹¹ Recovering from the economic fallout will likely take several years as businesses look to get back to 'business as usual'. In the meantime, it is important that those who find themselves unemployed utilise this time to upskill themselves to ensure that when the opportunity to re-enter the workforce arises, they will be able to seize it with both hands.

Governments, organisations and individuals play a critical role in responding to the surge in unemployment. We all have the responsibility to facilitate a smooth transition through workforce policy reforms and upskilling initiatives, and position the workforce to recover and adapt to today's ever-changing environment. It is time to REACT!

¹¹ "Jose Maria Barrero, Nicholas Bloom, and Steven J. Davis. "COVID-19 Is Also a Reallocation Shock," National Bureau of Economic Research, May, 2020. <https://doi.org/10.3386/w27137>.



REACT



PwC is a worldwide leader in “Workforce Management Consulting 2019”, has the largest breadth of human capital and workforce management capabilities in the market and is the best in class provider for assessing client workforce management needs.¹² We build tailored people and organisation solutions to help our clients across industry sectors achieve their strategic goals.

If you would like to find out more about how we can help, visit us at www.pwc.com/me or get in touch.



Randa Bahsoun

New world. New skills. Lead,
Partner, PwC Middle East
r.bahsoun@pwc.com



Khaled Bin Braik

Director, PwC Middle East
khaled.binbraik@pwc.com



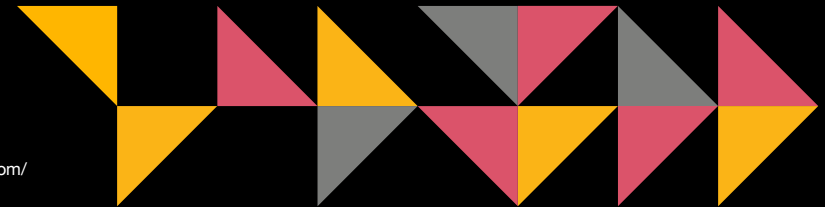
Boudy Kassis

Senior Consultant, PwC
Middle East
boudy.kassis@pwc.com



Ahmed Khairat

Consultant, PwC Middle East
ahmed.khairat@pwc.com



¹² "PwC named a global leader in Workforce Management Consulting 2019", PwC Global, June 18, 2019, <https://www.pwc.com/gx/en/news-room/analyst-citations/2019/leader-workforce-mangement-consulting.html>.

About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 157 countries with over 276,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

Established in the Middle East for 40 years, PwC has 22 offices across 12 countries in the region with around 5,600 people. (www.pwc.com/me).

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity.

Please see www.pwc.com/structure for further details.