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Sectoral investments to support key workers and enterprises

Main findings



Credit: Ground Picture



Investments in physical and social infrastructure in key sectors pay off as they create millions of jobs. Not making these investments implies even higher costs to mend the social and economic damage.



In the health and care sectors, investments must address shortfalls in adequate healthcare and health expenditures as well as labour shortages.



Income volatility for agricultural workers can be counterbalanced by minimum guaranteed prices and insurance systems.



Micro and small businesses can become more resilient and productive through supported transitions to the formal sector and improved access to credit.

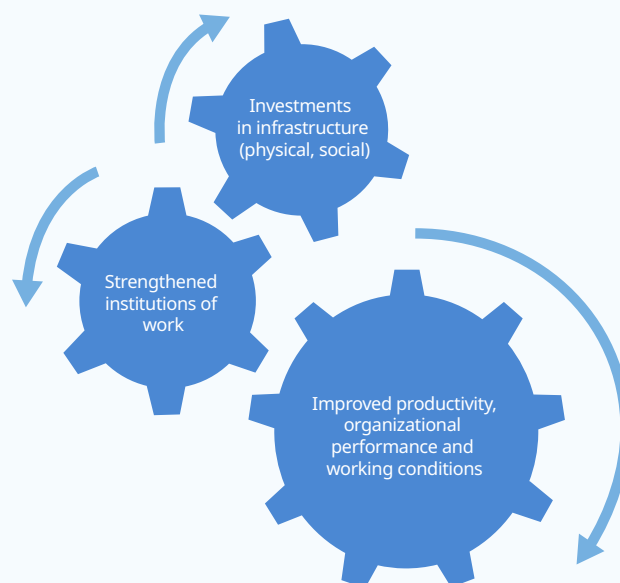
Farmers, health workers, truckers, seafarers, and the many other key workers that ensure the continued delivery of key goods and services during times of crisis, cannot effectively carry out their work if the physical and social infrastructure in the sectors in which they work is lacking or inadequate. Investments in physical and social infrastructure in key sectors are a necessary condition for improving working conditions, as organizations, whether public or private, will struggle to perform without an enabling environment. That said, better working conditions are not the automatic outcome of infrastructure investment; rather, such investments have to be accompanied with strengthened institutions of work, as expressed in figure 6.1. Together, these enabling conditions lay the foundations for improving productivity, organizational performance and working conditions, and for creating resilient economies and societies with the capacity to withstand, adapt and transform in the face of shocks and crises.

In addition to the investments needed in key sectors, including policies to support key businesses, a more proactive approach to disaster management is required. The COVID-19 pandemic showed the benefits of broad participatory processes of consultation and social dialogue in developing pragmatic solutions to manage the effects of the crisis¹ (for example, tripartite agreements negotiated in Kenya, to mitigate the fallout from the pandemic,² in addition to numerous bipartite agreements).³

Although societal and economic resilience requires investments into all key sectors, this chapter focuses on health and food systems as they were at the heart of pandemic response and are central in any crisis. Past and current pandemics highlight the importance of healthcare and the need for collective solutions to ensure universal access to good-quality, affordable healthcare. Much of key work is in agriculture, which continues to be the principal source of employment and livelihood in many low-income countries. Yet, in 2021, nearly 200 million people in 53 countries experienced acute food insecurity.⁴ The vulnerability of food supply chains precipitated by the COVID-19 pandemic worsened in 2022 as a result of the war in Ukraine and unstable weather. Given looming environmental threats, dedicated investments to ensure food security are needed.

Most key goods and services are provided by the private sector. Yet in much of the developing world businesses operate informally, without the infrastructure and resources needed to develop and

► **Figure 6.1. Building resilience through sectoral investments and strengthened institutions of work**



prosper. Enterprises need investments to thrive; they also need an enabling environment that provides opportunities and supports growth. As many key workers work for private firms or are own-account workers or employers in the private sector, investing in sustainable enterprises enables improvements in working conditions.

Since vulnerabilities to shocks such as the COVID-19 pandemic are dependent on physical, social, economic and environmental conditions, a necessary step in building resilience is to identify potential weaknesses and areas for improvement. Hence, this chapter first outlines the main systemic shortfalls faced by health and food systems as well as key enterprises. It then discusses the policies and investments needed for affordable and accessible healthcare and food security, and the policies necessary for creating an enabling environment for sustainable enterprises. It shows that the payoffs to such investments outweigh the costs and that such investments are not just critical for workers and enterprises, but also for resilient societies.

6.1. Investing in resilient health and long-term care systems

What ... I really don't need, is people clapping ... [What would be nice is to work in] an adequately funded NHS [National Health Service], staffed by people listened to by the government. It would be nice to see appropriate remuneration for the low-paid staff holding the service together, to see that the value of immigrants to the NHS is appreciated, and to have a health service integrated with a functioning social care service.

NHS doctor, United Kingdom⁵

Improving working conditions among key health workers requires investments in healthcare systems that allow for adequate staffing in order to guarantee quality services and social health protection for all, in line with ILO standards,⁶ in addition to funding physical infrastructure. These necessary investments are an enabling condition for improving job quality among key health workers, which, together with strengthening labour institutions, can deliver decent work.

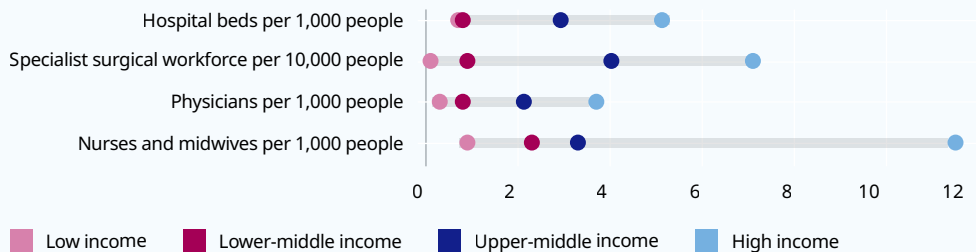
The COVID-19 pandemic and epidemics such as the 2014–16 Ebola outbreak have highlighted the need for more resilient healthcare systems, including long-term care.⁷ In many low- and middle-income countries, infectious diseases and health crises are exacerbated by under-resourced and understaffed healthcare systems.⁸ To improve access to healthcare without hardship, a commitment to social health protection for all and corollary long-term investments in infrastructure, health workforce and decent working conditions are necessary for ensuring national preparedness and sustainable capacities.⁹ Sustainable capacities include training, health information management and essential logistics requirements that allow health systems to handle routine essential services as well as health emergencies.¹⁰ Investment should seek to fill gaps in existing health systems and address the variety of care delivery settings: hospitals, clinics and other care facilities, both private and public, as well as services provided in the community and in the home.¹¹ The sector covers a range of occupations, from doctors, nurses and personal care workers to orderlies and cleaners, as well as administrators.

Shortfalls in access to adequate healthcare and health expenditures

Across the world, access to healthcare is far from universal. Low- and middle-income countries, in particular, have low service coverage rates, which prevents large segments of the population from accessing quality healthcare (see figure 6.2).¹² There are also significant differences within countries, with rural areas suffering from inadequate access in many parts of the world.¹³ During the COVID-19 pandemic, long-standing shortages of healthcare staff and health supplies, such as medicines, ventilators and later vaccines, inhibited the ability of countries to effectively respond to the health needs of their inhabitants.

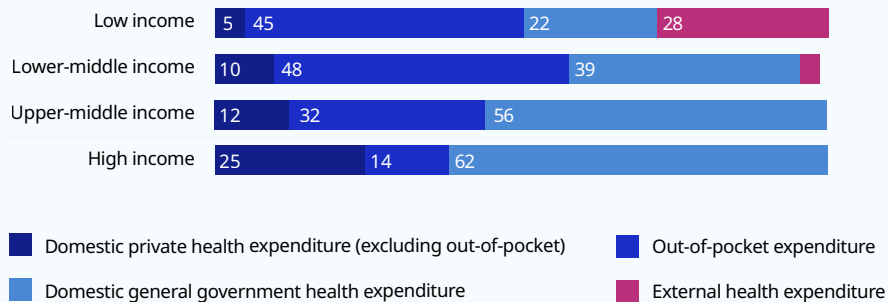
Healthcare systems are structured differently across the world, which is reflected in the composition of health expenditure. As shown in figure 6.3, the higher the income of the country, on average, the higher the share of domestic general government health expenditure. Health expenditure increases from 22 per cent in low-income countries to 39 per cent for lower-middle-income countries, 56 per cent for upper-middle-income countries and 62 per cent for high-income countries. Public funding is clearly correlated with a decreasing share of out-of-pocket expenditure for healthcare.¹⁴ In countries where affordable healthcare and social protection are limited, the dominance of the private sector in healthcare services provision translates into large out-of-pocket payments. In India, out-of-pocket expenditure is among the highest in the world, accounting for as much as 55 per cent of total healthcare

► **Figure 6.2. Selected health staff and infrastructure indicators, by country income group**



Source: WHO, World Health Observatory, latest available year.

► **Figure 6.3. Composition of health expenditure, by country income group**



Source: WHO, Global Health Expenditure Database.

spending in 2019.¹⁵ While various social assistance and social insurance programmes at federal and state levels have tried to lessen this burden, their impact remains hampered by coverage gaps.¹⁶ Other countries with particularly high shares of out-of-pocket expenditure include Armenia (85 per cent), Bangladesh (73 per cent) and Nigeria (71 per cent).¹⁷

For an effective social health protection system, gaps in coverage and financial protection should be addressed.¹⁸ While there is a level of correlation between the share of public spending and the availability of affordable healthcare services, higher public spending on health is not a guarantee of access to health care. Universal affordable or free care only occur when coverage of social health protection is anchored in the law and there are tangible entitlements realized through healthcare investments.¹⁹ Deficits in access to quality healthcare due to affordability concerns can lead to health problems as well as destitution. Universal healthcare coverage, as well as other social protection policies, such as paid sick leave and disability insurance, are important buffers against such risks. Each year, out-of-pocket expenditures for health push some 100 million people below the poverty line,²⁰ and many do not seek healthcare for lack of funds.²¹ Globally, in 2017, around 996 million people were reported to spend more than 10 per cent of their total annual household income or consumption budget on healthcare, with out-of-pocket expenditures in middle-income countries.²²

Labour shortages and capacity constraints in health and long-term care

Inadequate investments into healthcare affect the ability of countries to retain trained and qualified health workers. According to the WHO, there is a significant deficit of health workers vis-à-vis the needs, a deficit that is often exacerbated by brain drain. The increasing demand for health workers in high-income countries as a result of ageing populations means that many health workers in low- and middle-income countries will potentially migrate towards higher-paying health jobs, possibly increasing the staffing deficits in origin countries, and thus worsening the quality of service and working conditions of those who stay behind.²³ In 2014, around 84 per cent of the population in low-income countries, and 55 per cent in lower-middle-income countries, did not have access to healthcare as a result of health workforce shortages.²⁴

The shortage of health workers is projected to exceed 18 million by 2030, with the biggest shortfall among nurses and midwives.²⁵ In the OECD, it is countries with weak health systems that experience the greatest relative losses of healthcare workers.²⁶ Brain drain is a particularly pressing issue in East Africa and the Caribbean, causing significant health workforce shortages.²⁷ In Eastern Europe, policies have been initiated to attempt to raise salaries and conditions for workers to stem the outflow of healthcare workers who would otherwise migrate to Western Europe for work.²⁸

In Africa, inadequacies in resources available for healthcare services are due to insufficient government investment in health that compromises the ability of health workers to fulfil their duties.²⁹ Many

African governments are unable to meet the 2000 Abuja Declaration,³⁰ in which the Heads of State of the African Union countries pledged to allocate at least 15 per cent of their annual budget to improve the health sector. Unfortunately, healthcare services in Africa continue to be severely under-resourced, with a reliance on imported medicinal and pharmaceutical products, and a lack of facilities including intensive-care units.³¹ Underinvestment in health in many low- and middle-income economies is due, in part, to conditionalities imposed by the international financial institutions on borrowing nations.³² Since the 1980s, lending conditionalities have frequently imposed caps on public spending that have influenced the composition of spending on healthcare. For example, in 2018, the West African Economic and Monetary Union (WAEMU) announced plans to develop a subregional health workforce investment plan, with the aim of boosting employment in the sector.

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However, the plan was subject to limitations imposed as part of the WAEMU convergence criteria for stability, growth and solidarity, which included caps on spending, including spending on wages.³³ Notably, these restrictions, that had been in place since 2015, were lifted at the onset of the COVID-19 pandemic.³⁴

The problems in long-term care are even greater than those in healthcare, with deficits in access, quality and working conditions.³⁵ Long-term care services can be provided by public or private providers with full or partial support from the State, through non-contributory or contributory schemes.³⁶ Another form of support consists in cash-for-care schemes, whereby beneficiaries receive transfers that can be used either for in-home or institutional care workers, or to compensate unpaid services provided by family members.³⁷ Only 5.6 per cent of the global population lives in countries where universal long-term care coverage is provided, with major gaps across countries in terms of infrastructure and human resources.³⁸ For example, in Sweden there are 23.2 residential long-term care beds per 10,000 people, while the ratio is 2.2 in Italy and 0.5 in the Dominican Republic.³⁹ A highly limited supply of publicly provided, good-quality and affordable care services means that many people have no option but to rely on unpaid family members, who are mostly women. Reliance on unpaid family members for care, in turn, restricts their labour market participation and income security. Furthermore, unpaid care services can mask the extent of need in a country. Thus, acknowledging the gaps in need is a necessary first step in moving away from a reliance on unpaid family members.⁴⁰

The high rates of COVID-19 infections and morbidity in nursing facilities around the world drew attention to the quality and safety of care work and to social protection coverage gaps among key workers.⁴¹ Even though staff shortages and high turnover have been enduring issues in long-term care services, their adverse effects were highlighted with the pandemic. In Israel, the number of formal long-term care workers at home per 100 population aged 65 years and older was 7.4 before the pandemic; in Australia, the figure was 1.1.⁴² With the pandemic, shortages of care workers in various countries became starker. For example, it is estimated that in Australia an additional 200,000 full-time care workers will be needed by 2050 on account of ageing, and the gap in the workforce has grown more rapidly than anticipated because of the pandemic.⁴³ Similarly, in the United Kingdom, the shortage of residential care workers caused delays in the discharge of elderly patients during the pandemic.⁴⁴ Low pay and other poor working conditions, including irregular scheduling, contractual instability, and violence and harassment, are the main reasons why care workers are increasingly leaving their jobs.

Investing in health and long-term care: a commitment that pays off

To meet Sustainable Development Goal (SDG) 3 “Good Health and Well-Being” and build resilient societies, countries across the globe need to increase investments in health and long-term care, with respect to infrastructure, staffing and improved working conditions. According to the ILO, an additional US\$11.34 trillion (2015 prices) is needed to obtain universal service coverage for health and guarantee a minimum of 4.45 healthcare workers per 1,000 population across developing countries by 2030.⁴⁵ The cost of expanding the long-term care workforce, reducing the pay gap between nurses and personal care workers by half and raising the wages of personal care workers to the statutory minimum wage requires an estimated US\$2.35 trillion in total.⁴⁶ Central to achieving these goals is the realization of universal health coverage, such that tangible social health protection entitlements can translate into these needed investments.

Indeed, the ILO estimates that increased spending to meet the SDG 3 target on health will generate 173 million jobs in the health and social work sector, and in other sectors through backward linkages.⁴⁷ Likewise, investing in coverage and improvement of long-term care services could generate up to 50.9 million jobs by 2030 on a global scale, which is much more than the 20.9 million jobs that would be generated if coverage levels and wages remained the same.⁴⁸ An additional 13.9 million jobs can be gained in sectors

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other than health and long-term care by expanding long-term care expenditure.⁴⁹ Since there is a significant gender dimension to care work, such investments would reduce the gender gap in employment by an estimated 7.5 percentage points in all regions,⁵⁰ as approximately 78 per cent of the new jobs would be held by women.⁵¹ Additionally, investments into care services can boost labour force participation for individuals, particularly women, who otherwise would have to drop out of paid work altogether because of their care responsibilities, or work fewer hours than they would like.

In addition to its negative effect on staffing, underinvestment also contributes to deficits in the education and training of health workers, and thus in quality of care.⁵² Correspondingly, investment in education, training and skills is identified as a core recommendation of the United Nations High Level Commission on Health Employment and Economic Growth.⁵³ Canada, the Netherlands and the United States, for example, have adopted initiatives that focus on bolstering specific

skills training for nurses to increase the supply of mid-level providers.⁵⁴ Such strategic focus is necessary to respond to changing healthcare needs. Investments in training and education can be particularly beneficial for key workers in healthcare as there are opportunities for upward mobility in the sector.⁵⁵

Improvements in social protection and working conditions are another means to prevent shortages in health and long-term care. Better working conditions and wages will not only increase the attractiveness of these sectors but also boost motivation, productivity and service quality, and ultimately contribute to the retention of qualified personnel.^{56, 57} This underscores the importance of working conditions for ensuring quality healthcare, as poor conditions lead to exit, further worsening the quality of care, but also causing a loss to society and economies, given the extensive education and training undertaken by health professionals.

While these investments are needed across countries, the funding gaps in low-income countries are most acute. Yet not addressing these gaps is even more costly. During the Ebola epidemic, for example, the total international aid is estimated to have far exceeded the amount that would have been required to establish universal healthcare in all three of the main countries affected.⁵⁸ This highlights the cost of not prioritizing the provision of physical and social infrastructure, and the economic benefit of such investment. Despite fiscal constraints, there are various approaches for financing investments in health and long-term care (see box 6.1).

Box 6.1. Financing health and long-term care

Ensuring sufficient public investment to meet quality universal coverage of health and long-term care services will require several sources of financing, especially in low-income countries. Nevertheless, it is important to bear in mind that part of investment costs can be recouped through the added economic growth and employment generated by such investments, which will then serve to increase government revenues, through taxes and social security contributions, thus offsetting some of the costs.

The main source of financing is public spending financed through social security contributions and taxation. In many developing countries, tax-to-GDP and social security contribution-to-GDP ratios are low, limiting the ability of governments to make necessary investments. Therefore, a first step is to increase government revenues by expanding the tax and social security contribution base, improving enforcement, increasing tax rates, reducing tax breaks, and levying new taxes. This prospect is challenging in low-income countries with large levels of unregistered (informal) enterprises and workers, but nonetheless attainable. Tax policy is most effective if it is progressive, as consumption taxes increase the burden on the poor, and have been associated with adverse health outcomes.¹

Box 6.1. (cont'd)

For low-income, highly indebted countries, accumulated debts to official creditors such as multilateral development banks, bilateral donor governments and international commercial banks can be restructured permanently as an initial step to allow scarce fiscal resources to be invested in healthcare. Given that 25 low-income countries were allocating more money on debt service than on social spending for education, health and social protection combined in 2019,² rising indebtedness after the COVID-19 pandemic means that there are even fewer resources for investments into basic services. Indeed, the external debt of developing countries, which was already high before the pandemic, reached record levels of US\$11.1 trillion in 2021.³ In low-income countries, 9.7 per cent of government revenues was needed to meet external public debt obligations, while in sub-Saharan Africa the share was around 15 per cent.⁴ This suggests that public funds for investments into health and long-term care will be even more restricted in the upcoming years because of debt servicing, unless needed debt relief is granted.

A temporary overture to debt relief was made at the onset of the pandemic through the Debt Service Suspension Initiative ([DSSI](#)), which postponed US\$13 billion in debt payments in 48 mostly low-income countries.⁵ The suspension, which ran between May 2020 and December 2021, allowed the countries to allocate funds to basic services, as borrowers committed to use freed-up resources to enhance social protection and health spending.⁶ In view of the acute need for spending in physical and social infrastructure in low-income countries, more needs to be done to make debt relief permanent.

Another means of financing investment in low-income countries is through the issuance and donation of International Monetary Fund special drawing rights (SDRs). This issuance of US\$650 billion worth of SDRs in August 2021 could enable the international community to improve the fiscal space of low-income countries to finance needed investments. Most wealthier countries do not require this additional liquidity and could donate shares to developing countries if there were a coherent international framework for this purpose.⁷

Finally, another avenue for financing public investments into health and long-term care is through the international taxation of tax havens. Such taxation could finance a global fund that could then be redistributed to low-income countries to meet investment needs in healthcare.⁸ The amount of assets kept in tax havens and offshore accounts is estimated at more than US\$25 trillion, belonging to just 0.1 per cent of the wealthiest individuals.⁹ The ability to move financial assets to tax havens indicates that there is enormous tax evasion by the rich and a disproportionate burden of tax payments falling onto enterprises and workers that do not have mobile assets. As of 2021, there were 2,755 billionaires with a total net wealth of US\$13.1 trillion; 86 per cent of these billionaires had more wealth compared to pre-pandemic times, and many funnel their income to tax havens.¹⁰ By simply raising the tax rate on these individuals by 1 per cent, US\$131 billion could be collected for these much-needed public investments.

¹ Reeves et al., 2015.

² UNICEF, 2021.

³ UNCTAD, n.d.

⁴ UNCTAD, n.d.

⁵ World Bank, n.d.(a).

⁶ World Bank, n.d.(a).

⁷ Samans, 2021.

⁸ Sachs, 2022.

⁹ Henry, 2016.

¹⁰ Dolan, Wang and Peterson-Whithorn, 2021.

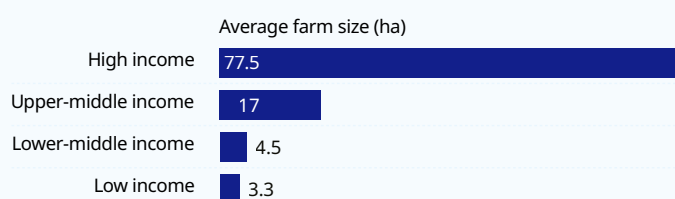
6.2. Investing in resilient food systems

Food systems comprise a complex range of interrelated activities from production (planting and harvesting) to processing, distribution, preparation and, finally, consumption of food.⁵⁹ While there are challenges across the food chain and across countries, the greatest decent work deficits concern agricultural workers in low-income countries, who suffer from low and volatile incomes, and generally lack labour and social protection to mitigate difficult times. Thus, in addition to strengthening labour and social protection, as presented in Chapter 5, improving working conditions in food systems requires investments in physical and social infrastructure that can boost productivity, access to markets and incomes. Food systems workers are highly susceptible to income fluctuations, both because of the seasonality in production, which causes variability in earnings, and also because of food price shocks. Energy price fluctuations, weather-related disasters and other crises affect production costs as well as earnings from the sale of commodities.⁶⁰ Hence the importance of insurance in reducing price volatility, stabilizing incomes and providing a floor of income support.

Global production in agriculture ranges from smallholder farms of less than 1 hectare to large-scale plantations that can span over 1,000 hectares. As figure 6.4 shows, the average farm size in hectares is much larger in high-income countries, around 77.5 hectares, than in low-income countries, around 3.3 hectares. While this size variation is present across all countries, larger production units (plantations) are associated with more industrialized farming practices that are typically capital-intensive. The type and intensity of risks that small farmers experience can be distinct from those faced by large farms and plantations. However, enhancing the resilience of small farmers does not necessitate scaling up; with adequate investments and supportive institutions, small farmers can be productive and enjoy decent work conditions. In many food systems, agricultural work is comprised of self-employed workers, contributing family workers, small landholders – some of whom are subsistence farmers – and wage workers who work in small and medium-sized firms as well as large, industrialized farms and plantations. Nevertheless, there is a blurring of employment status as many subsistence farmers work as wage agricultural workers on other farms or plantations during certain periods of the year to supplement their incomes.⁶¹ At the same time, smallholder farmers may hire landless plantation workers as casual labourers on an irregular basis for a basic remuneration.⁶²

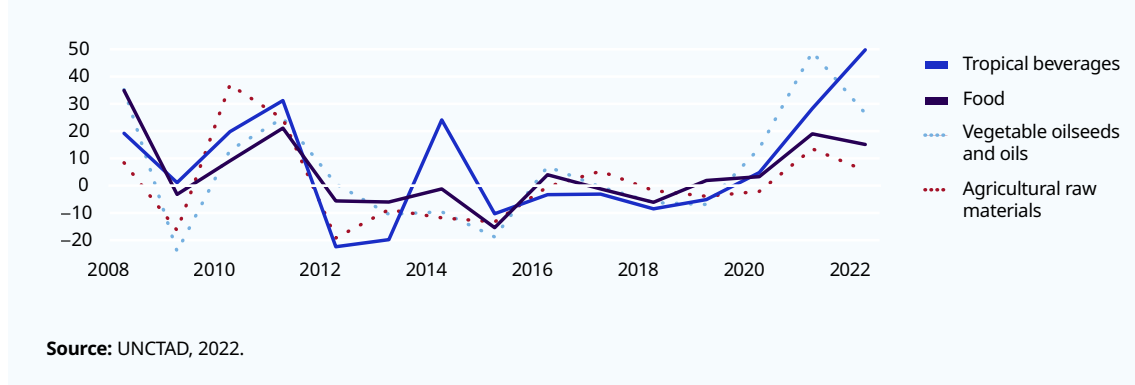
An important feature of agricultural production that affects earnings and wages is fluctuations in agricultural prices. Section 2.3 discussed the challenges facing cardamom producers in India during the pandemic, as the price offered by intermediaries had more than halved. Commodity prices are notoriously volatile, as can be seen in figure 6.5, which shows the percentage change over the previous years of world prices of agricultural commodities. Price volatility coupled with seasonality in production, and thus income, leads to income insecurity for agricultural producers. The insecurity in income

► **Figure 6.4. Average farm size by country income group, in hectares**



Source: ILO calculations based on [FAOSTAT](#).

► **Figure 6.5. World commodity prices for agriculture, 2008–22, percentage change over previous year**



for producers is then passed on to wage workers through practices such as piece-rate systems, which tie payment to the level of production rather than guaranteeing a set, minimum income. Global data on the use of piece-rate work are lacking, but for countries where data are available, its use is shown to be widespread. In Pakistan, for example, the share of employees paid by the piece in agriculture is around 24 per cent, whereas it is 41 per cent in Egypt.

Stabilizing incomes through adequate insurance and compensation schemes

Income volatility is an acute risk for food systems workers, including farm business owners and employees. Unforeseen income loss can result from events, such as natural disasters, or drops in the price of commodity, which may compound the other risks faced by workers and households – unemployment, work injury and disability, maternity, illness, old age and loss of a breadwinner. In part because of climate change, both price volatility and the occurrence of natural disasters are becoming remarkably pressing issues. More frequent and intense extreme events of various nature affect climate variability and are expected to lead to increased production risks and eventually losses of income.⁶³ In addition, large and unpredictable variations in food prices may decrease capacities for long-term investments, while increases in agricultural prices can reduce the ability of lower-income households to achieve food security and fulfil their other basic needs. Prices were relatively stable between 1990 and 2005, while price volatility appears to have increased from 2005 onwards, with strong price peaks in 2006–08 and 2010–11.⁶⁴ In June 2022, the FAO Food Price Index was 64 per cent above its pre-pandemic level.⁶⁵

Mechanisms can be used to strengthen the capacity of food systems workers to cope with shocks and withstand the resulting variations of their income, including through insurance and compensation systems against different kinds of risks. Specifically, the adoption of mechanisms against price volatility and natural disasters appears to be particularly suited to protect farmers against income losses and fallouts affecting farm staff and farming operations. As agricultural work is at the base of food systems, the benefits of such schemes can be far-reaching.

Schemes targeting risks such as price and income volatility improve income security for farmers and their workers. The system of direct payments provided in the framework of the Common Agricultural Policy (CAP) of the European Union helps stabilize farmers' income by offering a form of income protection that complements their more variable revenues coming from market sales.⁶⁶ Complementary mechanisms implemented nationally may also help to smooth

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Insurance systems that cover natural risks appear to be an increasing necessity in the face of climate change.

European farmers' incomes. Outside Europe, several countries have taken measures to reduce income volatility in the agricultural sector. In Brazil, the tools against price volatility include minimum guaranteed prices, covering a broad range of crops and some livestock products.⁶⁷ To enable this policy, the Brazilian government offers premiums to buyers who pay minimum fixed prices to farmers or governmental purchase programmes.

On the other hand, insurance systems that cover natural risks appear to be an increasing necessity in the face of climate change. In India, acknowledging that agriculture is a key sector for the economy and yet largely exposed to natural and climate disasters and other crop-related risks, in 2016 the government introduced the Pradhan Mantri Fasal Bima Yojana (PMFBY) crop insurance scheme to improve insurance coverage among farmers. Brazil is

another example of a country that implemented agricultural insurance to support farmers in case of natural disasters, including through specific programmes covering small-scale family farms (for example, Programa de Garantia da Atividade Agropecuária Mais, Garantia Safra).⁶⁸ In Europe, almost all countries have crops insurance for single risks, such as hail, and many countries also have insurance covering multiple risks or even all kinds of natural events ("yield insurance").⁶⁹

Nevertheless, more tailored actions are needed to promote take-up by farmers and adequate insurance coverage. For instance, despite the low premium for farmers, many smallholders remained uncovered by the PMFBY in India, owing to a lack of understanding among the farmers about insurance products and their role in improving their capacity for risk management.⁷⁰ Appropriate outreach mechanisms to connect with these smallholder farmers were also missing. In this context, the People's Education and Development Organization promoted community-level training and support to excluded farmers, especially women.⁷¹ Similarly, in Mexico, the Red Solidaria de Microseguros Rurales was created to liaise between community organizations and insurance institutions to foster outreach to farmers, especially small-scale producers, and enhance their risk management capacity.⁷² Government involvement in the implementation of efficient agricultural insurance is critical, especially for securing coverage in the face of widespread losses ("systemic risks"), or to address informational problems such as those linked to the accurate measurement of risks and the monitoring of farmers' behaviours with regard to risks.⁷³

Beyond insurance schemes, measures aiming at preventing the occurrence of risks in the first place should also be considered. For instance, evidence suggests that price volatility of commodities, including food, is partly linked to the financialization of these markets; thus, reforms could be implemented to help reduce the distortions that financial instruments can create.⁷⁴ These may include improved transparency and access to information concerning commodity derivative and physical markets, tighter regulations on financial markets (for example, setting of position limits), and increased oversight by market authorities. Moreover, investments in adequate technologies could also contribute to reduce the exposure of food systems jobs to risks. For example, the use of digital technologies, such as remote sensing, could facilitate timely management response and help in mitigating agricultural risks.⁷⁵

Extending social protection coverage to all food systems workers

In addition to mechanisms against natural disasters and income volatility, there is a need to strengthen social protection for food systems workers. As shown in Chapter 4, most employees and farmers in food systems lack social protection in developing countries and only 44 per cent of people in rural areas have access to a form of healthcare, compared to 78 per cent in urban areas.⁷⁶ In addition to legal barriers to social protection coverage of agricultural workers, the lack of protection is aggravated by administrative constraints, the difficulties in providing social protection to dispersed populations in rural areas, and by the prevalence of informality in many parts of the global food system. Agri-food workers need access to unemployment benefits, universal healthcare and income support to be cushioned from future shocks and thus ensure continued functioning of the agri-food system.⁷⁷

There is therefore a need for social protection systems, including a combination of non-contributory and contributory mechanisms, taking into account the specificities of workers in these occupations. In addition to natural risks, seasonality is for instance a critical factor in agriculture, leading to further irregular income and seasonal variations in employment for those who work in this sector.⁷⁸ The high prevalence of self-employment and contributing family workers is an important dimension to consider when designing adequate social protection systems. This is especially true for improving gender equality, as women are more likely to work as unpaid contributing family workers, and thus are often overlooked in the design of social protection systems. Likewise, the legal regimes of land tenure are to be considered as they can create precarious land tenure arrangements for farmers who do not own their land.

Many countries have sought to consider the peculiarities of agricultural work when designing social protection programmes. For example, Colombia has allowed insured persons to declare their income throughout the year instead of doing so only in January, to take into account the variations of economic activities over the course of the year.⁷⁹ In Mongolia, in 2013 the government launched a one-stop-shop (OSS) that provides delivery services for all social protection programmes, employment counselling, as well as notary and banking services. Through the OSS, residents can access information and avail themselves of services and transfers through a single delivery point, including through a mobile OSS that delivers services at the doorstep of those who cannot travel – a must for the country's many cattle herders. The scheme has also clarified and simplified the application and claims processes.⁸⁰ These examples highlight how innovative solutions can be instituted to extend coverage and access to social protection in ways that account for the realities of work in agri-food systems.

The investment in well-designed social protection and mechanisms tackling income volatility may substantially pay off, as these schemes can improve the well-being of food systems workers and their productivity. Evidence suggests that social protection can improve educational outcomes and foster innovation and investments among poor households, in particular because social protection benefits help lift liquidity constraints and reduce risk aversion.⁸¹ With more specific regard to agricultural workers, a research partly based on field studies carried out in Tamil Nadu, India, showed that sugar cane farmers perform cognitive tasks better after harvest than prior to it, possibly because poverty-related concerns consume mental resources.⁸² Thus, another benefit of insurance schemes and measures reducing economic volatility in agriculture is that they allow greater cognitive resources.

Infrastructure investments that support productivity and sustainability of food systems

Rural areas often lack general enabling infrastructure such as energy transmission networks, roads and running water, as well as specific food systems infrastructure such as irrigation, storage and processing facilities.⁸³ Access to irrigation, storage and processing facilities is relevant for strengthening farmers' resilience, and investing in resilient food systems translates into long-term productivity, growth, employment generation and food security.⁸⁴ Within a global context of rising food, fuel and fertilizer prices, sustainable agricultural practices could be economically justified as they decrease the dependence on chemicals and other industrial inputs. Many small and medium-sized farms may lack the knowledge, assets and scale to adopt sustainable farming practices and, in this regard, both private and public resources can be mobilized, also to improve the capacity of agricultural extension services. Because of systemic gender inequalities and biases, many women in food systems are poorly equipped to cope with shocks and make investments to increase farm productivity; hence, outreach programmes directed at women can help address some persistent gender inequalities.

Technological change in agriculture has historically been driven by public investment in research and development (R&D). Although recent trends suggest that the private sector is playing an increasingly

Social protection can improve educational outcomes and foster innovation and investments among poor households.

The private sector has a crucial role to play in making technologies more accessible and less expensive for farmers.

important role, private R&D investment in developing countries has mainly focused on the needs of large-scale, capital-intensive farm operations that mirror farming systems in industrialized countries and contribute little to pathways out of food insecurity and poverty.⁸⁵ The private sector thus has a crucial role to play in making technologies more accessible and less expensive for farmers. Governments have an important role to play in addressing information gaps that might prevent farmers' access to adequate technology. Some integrated participatory approaches for agricultural research are currently being pursued, facilitating the uptake of technological solutions at local level.⁸⁶

Midstream segments of food systems chains, such as processing, storage, transport, wholesale and retail, account for up to 40 per cent of gross production in food value chains.⁸⁷ With adequate support, farmers can access higher-value domestic and global markets while meeting higher standards in their products, and small and medium-sized enterprises (SMEs) can add value at the local

level (for example, milling, packaging), and benefit from more dynamic market access.⁸⁸ Investments into the modernization of midstream segments can have positive effects on productivity. For example, farmers in Guatemala who exported their crops were found to have on average higher productivity after entering these markets.⁸⁹ In Senegal, evidence suggests that the increased technical standards imposed on exports raised rural incomes considerably and enhanced welfare.⁹⁰ Nonetheless, there is also evidence suggesting that agro-industrial firms and multinationals can reap the benefits from investments into food systems chains at the expense of smallholders and employees.⁹¹ Hence, accompanying institutions and policies described in Chapter 5 are needed to improve working and living conditions of food systems workers.

An important means for expanding market access, and thus improving incomes, is through investments in enabling infrastructure, such as cold storage facilities. Many agricultural products need to meet certain quality standards to be traded in export markets and without cold storage farmers would lose a part of their harvest or have to sell their products at a discount, which significantly decreases their incomes.⁹² Proximity to cold storage can reduce the financial risks in cultivating perishables and help decrease methane emissions associated with food waste, while a local processing facility can contribute to adding value and creating jobs in rural areas. In Nigeria, a social enterprise has been providing uninterrupted storage of fresh produce in farms and marketplaces. After two years of operation, it is estimated that the cold storage allowed more than 300 farmers to almost double their monthly income, saved 5,800 tonnes of fruits and vegetables from spoilage, and created jobs, especially for women.⁹³ Hermetic storage bag provision in two districts of the United Republic of Tanzania is shown to have decreased the share of severely food-insecure households by 20 per cent during the year, suggesting how even inexpensive technological investments can enhance access to food.⁹⁴

By decreasing farmers' costs and enhancing output, infrastructure investments support employment creation. Roads, electricity, telecommunications and other infrastructure investments in rural areas increase agricultural output.⁹⁵ For example, in West Africa, a 10 per cent increase in access to electricity is found to lead to 0.25 per cent growth in agricultural employment, while a 10 per cent increase in investment in transport infrastructure generates nearly 6.3 per cent additional jobs.⁹⁶ In Indonesia, a one standard-deviation improvement in road quality produces an increase of nearly 20 per cent in total labour earnings and a 5 per cent increase in household consumption. Comparably large effects are also detected in other countries, such as Cameroon and Nepal.⁹⁷ When it comes to employment creation for women, several studies show that rural infrastructure, especially transportation, has increased women's ability to find paid work outside of their homes and farms, provided them with opportunities to create SMEs, and increased the number of women entering the labour market.⁹⁸ In Nicaragua, after trail bridges were built in various rural areas, the number of female wage employees went up by almost 60 per cent as a result of increased labour force participation.⁹⁹

6.3. Investing in resilient enterprises

Many key goods and services are provided by the private sector, particularly food provision, but also retail, transport, warehouse work and cleaning. Indeed, 85 per cent of key workers work in the private sector either as employees, own-account workers or employers, ranging from a high of 97 per cent in low-income countries to 75 per cent in high-income countries. Private enterprises – whether micro, small, medium-sized (MSMEs) or large enterprises – are at the heart of economic activity in nearly all countries, making them the principal source of economic growth and employment. With most key employment in the private sector, a necessary requirement for attaining decent work for key workers is ensuring that the enterprises they work for have adequate resources and capacities, including during times of crisis. Strengthening institutions and governance systems as well as ensuring sufficient financial, physical and human resources will help business to thrive, improve working conditions and contribute to the resilience of economies and societies. Given the increasing risk of crises, the private sector should also be included as active participants in government disaster management planning, as well as in the design of their own or their sectors' business continuity plans, so as to ensure the delivery of key goods and services at acceptable levels during disasters and subsequent recovery periods.¹⁰⁰

Key enterprises faced various challenges during the COVID-19 pandemic owing to lockdowns or restricted hours, declines in demand, staffing challenges and disruptions in supply chains. As shown in Chapter 2, the negative effects of the crisis were amplified for micro and small businesses given their more limited financial and human resources, weaker or non-existent digital infrastructure for diversification, and limited access to credit and government support due to informality. To overcome these hurdles and improve working conditions, it is necessary to support enterprises in transitioning to the formal sector, as well as investing in infrastructure and human resources so as to increase access to markets and enhance productivity growth. Such investments support key private sector enterprises, while facilitating improvements in the working conditions of their workers.

Supporting the transition to formalization

Creating resilient enterprises requires, at its most basic, assisting informal enterprises to transition to the formal economy. Across the world, microenterprises (defined as firms with 2–9 employees) account for 342 million jobs – of which two thirds are informal.¹⁰¹ Many of these enterprises provide key goods and services, hence supporting their transition to formalization can increase productivity and market access, and thus the sustainability of the services and goods they provide. The process of registering these businesses also allows governments to identify those enterprises that provide key goods and services, which is a necessary first step in any disaster management planning.

Formalization is also a necessary condition for adequate labour and social protection of workers¹⁰² and an important means for valuing the contribution of these key employers and workers to society. Supporting informal enterprises in their transition to the formal economy entails addressing a wide range of difficulties that inhibit the growth of enterprises: poor access to credit, limited or non-existent access to markets, lack of access to procurement opportunities, lack of access to public infrastructure, lack of access to technology and lack of voice and representation. There are also wider drivers of informality at the macro level, including inadequate regulatory



Micro and small enterprises often do not have a fixed location and their access to water, electricity, internet and other infrastructural facilities is therefore limited.

frameworks, few incentives to formalize, underdeveloped tax and social security systems, and poor enforcement.

Informal enterprises are particularly constrained with regard to credit, which is a requisite of sustainable enterprises as it better equips them to withstand and weather shocks to demand, business operations and revenue.¹⁰³ The financing gaps and lack of access to formal credit are major issues for informal firms and are often cited by SMEs as one of the main constraints to growth.¹⁰⁴ This was also one of the main challenges for enterprises during the COVID-19 pandemic, with SMEs particularly at risk of bankruptcy.¹⁰⁵ Owing to the lack of financial liquidity, owners of informal enterprises are typically dependent on their own savings or family transfers to maintain the operation of their business.¹⁰⁶ As a result, buffers for shocks are thin, such that the extended lockdowns imposed in many countries because of the pandemic forced many informal businesses to close. In Cameroon, around 15 per cent of informal businesses experienced at least temporary closure compared to some 5 per cent of large, formal companies.¹⁰⁷ These temporary closures could easily lead to permanent closures after depletion of personal funds. In Mexico, around 12,000 informal firms stopped operations permanently in April and May 2020, compared to 10,000 formal firms.¹⁰⁸

Another major obstacle for informal enterprises is low productivity, which can be a result of unequal access to public services, lack of legal protection and contract enforcement, or difficulty in procuring inputs.¹⁰⁹ Micro and small enterprises often do not have a fixed location and their access to water, electricity, internet and other infrastructural facilities is therefore limited. Furthermore, it is harder for informal firms to establish long-term quality relationships with suppliers given the lack of contractual arrangements, which can be a barrier to ensuring a steady supply of needed inputs. As a result, informal firms, and especially smaller ones, suffer from low productivity.¹¹⁰ The productivity of informal enterprises delivering key goods and services can also be hampered by poor working conditions, as these may prevent workers from performing their tasks effectively and affect their degree of engagement.

One intervention to facilitate the transition to the formal economy is to streamline tax, registration and administrative procedures. Start-up procedures to register a business can be an impediment to MSMEs when overly cumbersome, setting these enterprises off in the informal economy from the outset. There has been progress in streamlining such procedures since the 1990s.¹¹¹ In a number of countries, including China, Kazakhstan and Rwanda, micro and small enterprises were exempted from paying a number of administrative fees as part of the registration process.¹¹² In other cases, one-stop-shops, which combined company registration, tax registration and other components into a single process, have been implemented in a range of countries, including Afghanistan, Benin, Burundi, Egypt, Guatemala, Malaysia, Malta and Mexico.¹¹³

Reductions in the cost of formalization are most effective when combined with accommodating policies, such as lower tax rates, the possibility to pay different taxes in a single payment, or monetary incentives.¹¹⁴ For example, in the Monotributo system of Argentina and Uruguay, the governments merged taxes and social security contributions into a single tax to simplify the payment system. Another example is Estonia's Simplified Business Income Taxation Act, which enables certain categories of own-account workers to set up a business bank account that automatically calculates tax owed and facilitates payment.¹¹⁵ In Brazil, firms registered through the SIMPLES programme increased investment in their enterprises after registration, likely from greater access to formal credit channels.¹¹⁶ Similarly, in Viet Nam, becoming formal was found to have raised value added and profitability, with the exception of the smallest enterprises.¹¹⁷ Such firms might have very low levels of capital and excessively high credit constraints to invest further and reap the gains of formalization.¹¹⁸ This highlights the importance of accommodating policies for informal microenterprises.

In addition to credit, access to public services, infrastructure and contractual relations with other firms are advantages that come with formalization. In Brazil, newly created micro and small enterprises

that opted to be registered were shown to have higher levels of revenue, profits and investments, which is argued to be the result of their choice of permanent location.¹¹⁹ By operating in a fixed location, formalized enterprises are able to use public services, which allows them to operate on a larger scale and extend capital stock and employment.¹²⁰ In Viet Nam, a positive relationship is reported for the manufacturing sector between formalization and increased investment, improved access to credit and a smaller share of casual workers.¹²¹ Firm performance is enhanced by the use of formally contracted labour, which indicates that, besides the positive effects on enterprise performance, formalization also improves working conditions.

Strengthening investments in infrastructure, human resources and innovation

As discussed in the sections on healthcare and agriculture, public investments in physical infrastructure are a necessary condition for businesses to grow and thrive, as well as adapt to exogenous shocks. In addition to investments in transport infrastructure, internet connectivity allows enterprises to diversify to e-commerce and use mobile money, which can have positive effects on enterprise development and performance. In Ethiopia, the productivity of manufacturing firms increased by 13 per cent after fast internet was installed.¹²² Similarly, in Rwanda, higher 3G coverage was found to be positively associated with productivity, especially in the service sector.¹²³

In addition to public investment, enterprise investments in their human resources have been shown to strengthen the performance of employees and support business development. For example, empirical evidence based on German enterprise survey data found that wage increases were associated with reductions in absenteeism, used in the study as a proxy for work effort.¹²⁴ This result can be explained by various causes, such as a “reciprocity” from employees who receive higher wages, or the threat of relatively big losses for workers paid with higher wages if they are dismissed by their employers.

With a focus on employees at the lower end of the wage distribution, further studies highlighted how higher minimum wages can reduce absenteeism within firms, especially due to sickness. In this regard, a US study of low-wage workers found that a US\$1 increase in the minimum wage induced a decrease in absenteeism due to illness of between 19 and 32 per cent.¹²⁵ Reasons for this include the effects that higher minimum wages may have on the health of these workers – such as, for instance, a reduction in financial stress, higher job satisfaction or increased income that allows workers to invest in their health (for example, health insurance, improved living conditions).¹²⁶ Additionally, a recent study conducted on a large US retailer found that raising the wages of warehouse workers and customer service representatives by US\$1 increased productivity by more than US\$1, with wage increases also associated with a reduction in staff turnover.¹²⁷

Beyond remuneration, investments in training yield important benefits for enterprises, particularly with respect to productivity. For example, a study of industry-level data for the United Kingdom over the period 1983–96 showed that a 1 percentage point increase in the share of employees trained was associated with an increase in value added per hour of 0.6 per cent, and an increase in hourly wage of about 0.3 per cent.¹²⁸ A more recent analysis based on Belgian enterprise-level data found similar results in terms of productivity growth, though the productivity premium of a trained worker was substantially higher than the wage premium.¹²⁹

Another important area of investment for enterprises is innovation. Analyses of the performance of manufacturing firms during the Great Recession indicate that firms that had invested in R&D prior to the crisis performed relatively better than other firms when the crisis struck.¹³⁰ Possible explanations include the ability of innovative firms to adapt to extremely dynamic environments, for instance by offering new or improved products, and a greater capacity

Enterprise investments in their human resources have been shown to strengthen the performance of employees and support business development.

to take advantage of new opportunities. Furthermore, more dynamic and flexible organizational approaches can facilitate the adaptation of enterprises to exogenous shocks. Among small enterprises especially, clustering and networking appeared, in various contexts, to be positively associated with survival through crisis.¹³¹ Through such strategies, firms may receive support from other businesses and improve their preparedness for future crises.

Notes

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- 2 ILO, 2021j.
- 3 See ILO, 2022l.
- 4 Global Network against Food Crises, 2022.
- 5 *The Guardian*, 2020.
- 6 ILO standards on social health protection (R.69, C.102, C.130, R.136, R.202) and on working conditions of health personnel (R.69, C.149); ILO, 2020q.
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- 9 WHO, 2020a.
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- 11 Tessier, De Wulf and Momose, 2022.
- 12 ILO, 2021s.
- 13 ILO, 2021s.
- 14 ILO, 2021s.
- 15 WHO, n.d.(c).
- 16 Sriram and Khan, 2020; ILO, 2021d.
- 17 WHO, n.d.(c).
- 18 ILO, n.d.(f).
- 19 ILO, 2021n.
- 20 WHO, 2010a.
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- 22 WHO and World Bank, 2021.
- 23 WHO, 2016a.
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- 33 WHO, 2018.
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- 53 WHO, 2016b.
- 54 OECD, 2016.
- 55 Osterman, ed., 2020.
- 56 ILO, 2017c.
- 57 ILO, 2021n.
- 58 Save the Children, 2015.
- 59 Ambikapathi et al., 2022; Marshall et al., 2021; Borman et al., 2022.
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- 62 ILO, 2018d.
- 63 World Bank, 2015.
- 64 Tropea and Devuyt, 2016.
- 65 UNCTAD, 2022.
- 66 Tropea, 2016.
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- 77 ILO et al., 2020; ILO, 2020f.
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