

IMPACT OF COVID-19 ON THE LABOUR MARKET*NIMIGEAN (BRINDUSE) Anca Ioana**West University of Timisoara, Romania*anca.brinduse93@e-uvt.ro

Summary: *The rapid spread of the coronavirus worldwide has fundamentally transformed everyday life as we knew it and nearly every country felt its negative effects. Apart from the devastating health consequences, the COVID-19 pandemic has also damaged the economies with unprecedented unemployment rates and lockdowns in many industries. Therefore, this paper aims to present the main effects of the coronavirus outbreak on the labour market worldwide. Taking into consideration the novelty of the topic, the research was conducted based on the analysis of professional reports or journal articles. The contribution of this paper is relevant both to the academic literature, but it also supports professionals from the field.*

Keywords: *COVID-19, labour-market, job loss, employment*

JEL Classification: *J23, J39, J49, M54*

1. Introduction

The coronavirus outbreak has generated a sharp economic fall all around the world and the effects of the COVID-19 were extremely severe from an economic point of view (Radulescu, et al., 2021). In order to surpass the effects of this worldwide crisis, governments had to take action immediately. The lockdown and other restrictive measures had an enormous contribution to the spread of the virus, but it was achieved only with a series of limitations which seriously affected the labour market. Therefore, the aim of this paper is to identify the manner in which the spread of the coronavirus worldwide affected the labour market. The impact will be analyzed from two perspectives. Firstly, the paper will present how the employees were affected taking into consideration their working hours, as many companies tried to save some costs by reducing the number of paid hours. Secondly, the paper will illustrate the effect of the pandemic on the income loss. The author chose to expose these two effects of the pandemic due to the fact that they were the most prominent on the labour market. In the third part of the paper, it was brought to surface a special group of the labour market, meaning the vulnerable categories, which are often excluded from analysis. It will be illustrated which are these vulnerable categories and how were they affected by the restrictive measures and lockdown.

The last part of the paper aims to display which are the measure that can be taken in order to ensure the recovery and improvement of the labour market after the pandemic. The main challenge from an economic point of view remains the re-opening phase which should be able to balance the recovery of the businesses and social activity, while keeping a low infection rate among population. Therefore, the paper shows how these measures should be designed in order to be successful.

As this is a relatively new topic, the research was done based on reports published by well-known professional organisms or articles and it followed the structure illustrated above. This paper should be considered as the starting point of the analysis of the effects of the pandemic on the labour market. It should be interesting to continue to follow this topic, from a different angle, meaning the recovery of the labour market after the pandemic of COVID-19, as well as the lessons learnt from this worldwide crisis.

2. Effects of COVID-19 on labour market

Even before the spread of COVID-19 was defined as pandemic, countries worldwide started to take preventive measures in order to minimize the negative effects of the virus. For example, there has been discovered a significative effect on the mobility patterns. Taking into consideration the smartphone locations in April 2020, there was a decrease of 30%-70% of the people travelling to work in the G20 countries (ILO, 2020). By late June 2020, more people were working from home, keeping this percentage high.

One of the first countries which were affected by the COVID19 outbreak, China, felt the economic effects starting with January 2020. Roughly five million people lost their jobs in January and February 2020. In February 2020, the unemployment rate jumped to 6.2%, its highest on record (Cheng, 2021). At that point, it was expected that nine million people would lose their jobs in China by the end of 2020 (He & Gan, 2020) (Cheng, 2020). However, the challenge regarding the labour market will continue in 2021, when a record number of 9 million graduates are expected to finish their studies and to actively start looking for a job (Tang, 2020) (Cheng, 2021). US, another economical power, was highly affected even from the beginning of this crisis. For example, in the last two weeks of March 2020, more than 10 million filled for unemployment claim, while during the entire Great Recession, from December 2007 to June 2009, there were 39,5 million unemployment claims (Weissman, 2020) (Coibion, Gorodnichenko, & Weber, 2020).

2.1. Decline of working hours

Probably the most significant effect of the COVID-19 was the reduction of jobs and the decline in working hours. For example, there was a significant decrease in the G20 countries, as presented in Table 1.

	Number of jobs lost in full-time equivalents (mil)	Total hours of paid work lost
G20	320	14.0%
G20: Advanced economies	70	14.2%
G20: Emerging economies	250	13.9%

Table 1. Employment and working hours decrease

Source: (ILO, 2020)

Worldwide, in 2020 8.8% of global working hours were lost, comparing with Q4 of 2019. In terms of full-time equivalent full-time jobs, this translates into the loss of 255 million jobs (ILO, 2021). Full-time job is considered to be 48-hour working week. An overview of the loss of the working-hours is represented in Figure 1, which consists of a worldwide heating map, highlighting the countries which were the most affected from this point of view. But, the effects of the coronavirus spread were not equally spread throughout the year. Half of the total loss of working hours in 2020 occurred during the second quarter of the year. (ILO, 2021)

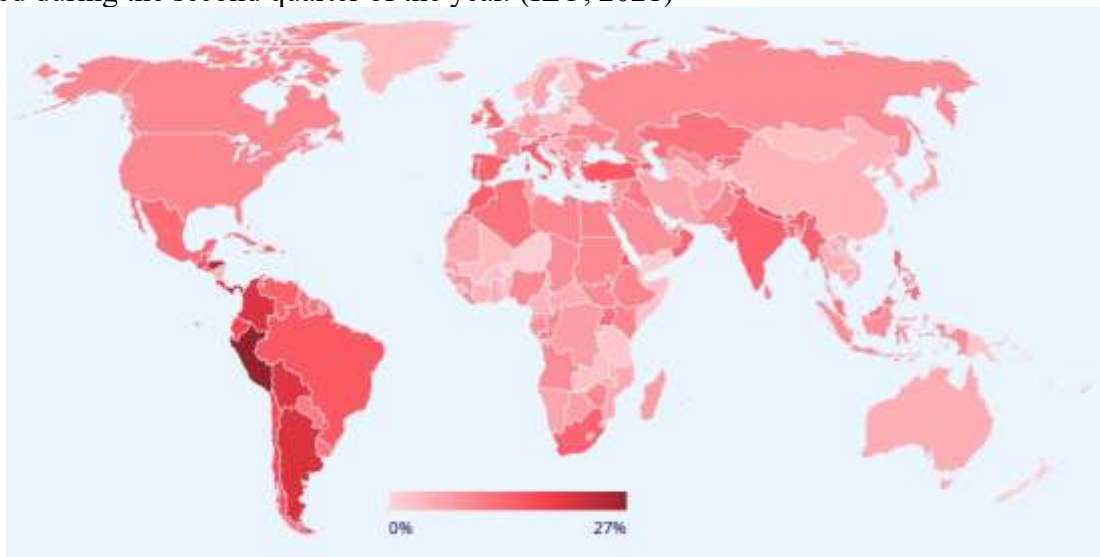


Figure 1. Working hours lost in 2020 compared to Q4 2019
 Source: (ILO, 2021)

2.2.Loss of income

While the coronavirus crisis spread, many workers worldwide lost a part of their income (Bick & Blandin, 2020). Globally, labour income has declined by 8.3% in 2020, when compared to 2019 income, as shown in Figure 2. In monetary terms, this translates to a loss by 3.7 trillions dollars, compared to 2019 (ILO, 2021).

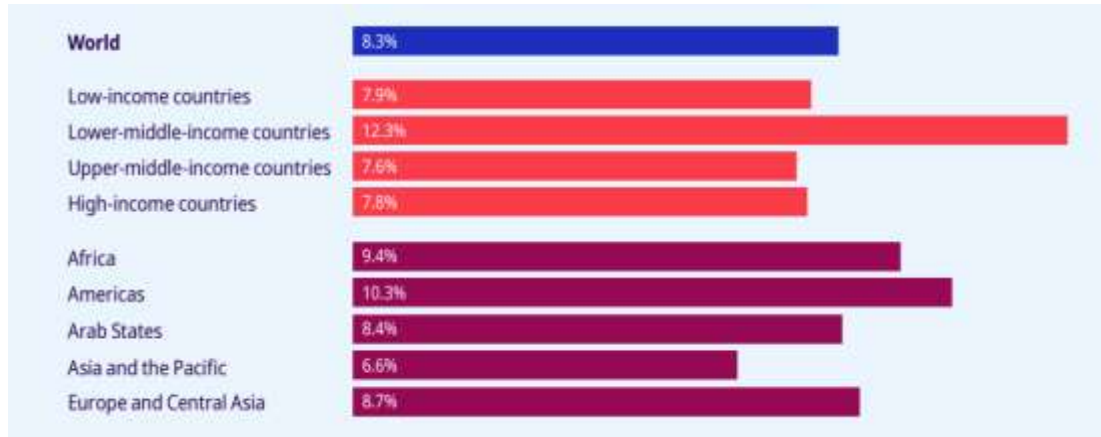


Figure 2. Income loss due to COVID-19

Source: (ILO, 2021)

Even those who kept their jobs, had to accept shorter hours or wage cuts. For example, 35% of US workers, 30% of UK workers and 20% of Germany workers reported lower earnings in March 2020, compared to earlier months (Adams-Prassl, Boneva, Golin, & Christopher, 2021). When comparing with the previous years, there can be observed a sharp decline of -5.2% in the median employment income for the countries in the European Union, as shown in Figure 3 (Eurostat, 2020).

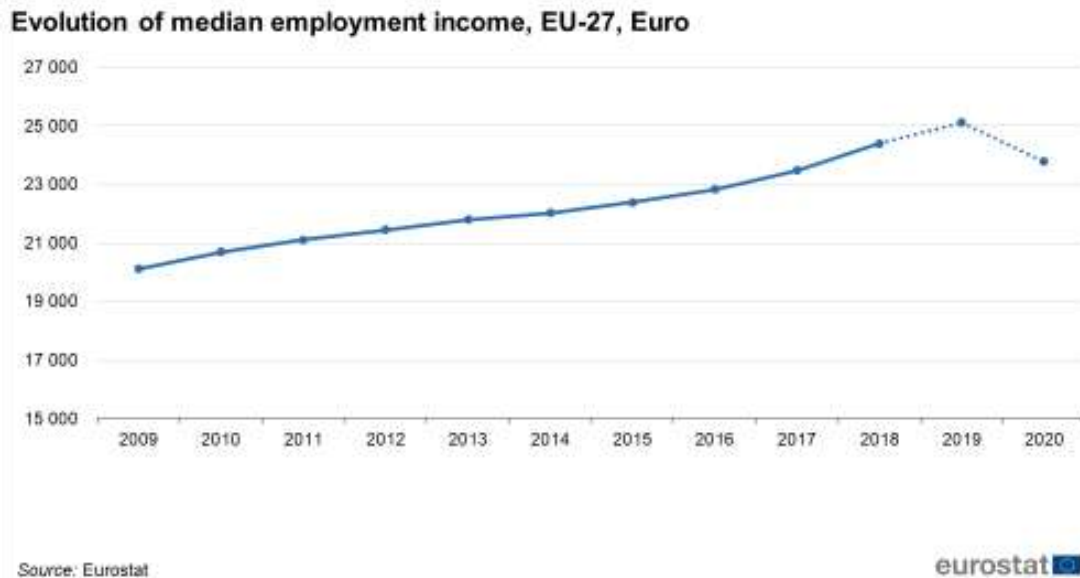


Figure 3. Evolution of median employment income

Source: (Eurostat, 2020)

The most affected industries were airlines, retail, accommodation, food services, or textile (ILO, 2020). When analysing the income loss from 2019 to 2020 for the countries in EU, the decline varies extremely much, from -12% to -1%, the most affected countries being Croatia, Slovakia, Cyprus,

Greece and Ireland, as shown in Figure 4 (Eurostat, 2020). In Romania, 65,7% of the participants in a study said that during the pandemic they obtained the same level of income, while 25.9% obtained a lower income and 8.4% obtained a higher income than before the COVID-19 pandemic (Radulescu, et al., 2021).

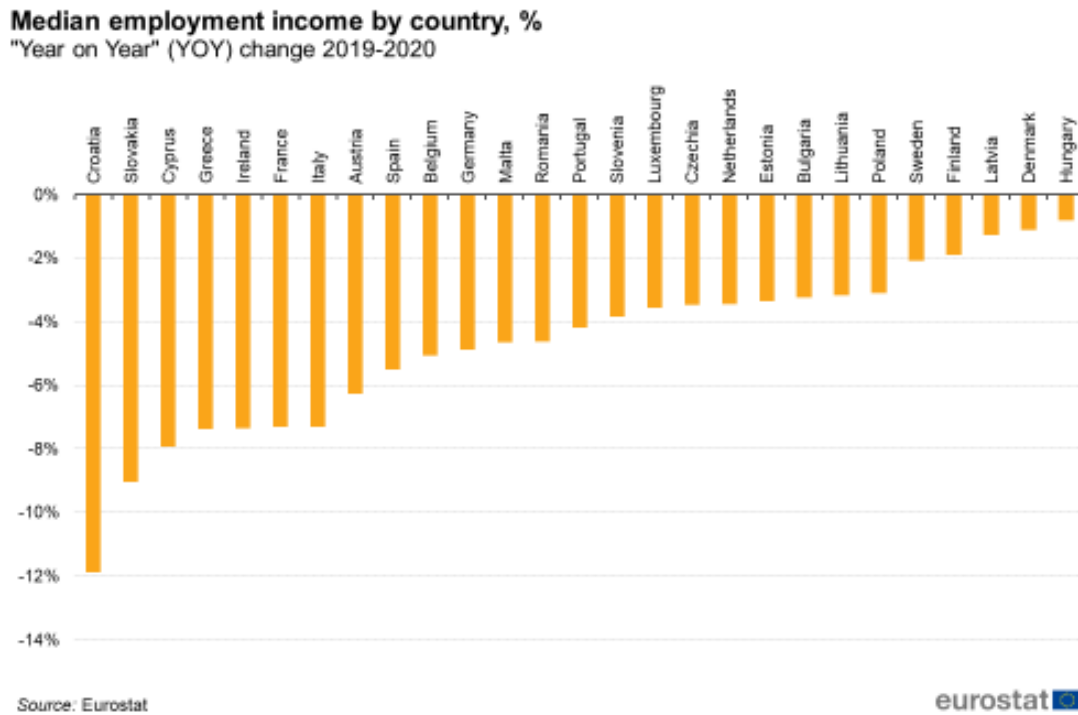


Figure 4. Median employment income by country

Source: (Eurostat, 2020)

2.3. Vulnerable categories affected by COVID-19

Unfortunately, the vulnerabilities of the labour market have been brought to surface during this pandemic (ILO, 2021). Low-paid workers were the most affected group at the beginning of the pandemic. Those working in the essential services, such as health care workers, cashiers, janitors, maintenance workers, delivery drivers or production workers were exposing themselves to the virus in order to provide the essential necessities to people worldwide (ILO, 2020) (ILO, 2021). Unfortunately, these sectors were also the ones most affected by the shutdowns that followed (Nahata, 2020). If we take into consideration the weekly earnings, in UK the bottom 10% of employees were seven times more likely to work in a sector that was affected by shutdowns, compared to the top 10% earners (Foucault & Galasso, 2020). Moreover, a study conducted in April 2020, showed that the top 25% of earners were 50% more likely to work from home than the bottom 25%. (Foucault & Galasso, 2020).

If we take into consideration workers that are not engaged into a full-time contract, they have been more exposed to the negative effects of the pandemic. In EU, this jobs such as self-employed, temporary contracts or part-time contracts, represent 40% of total employment in sectors most affected by lockdown measures. (ILO, 2020). Moreover, workers who were on a fixed-term contract were the first to lose their jobs when the COVID-19 measures were implemented. This trend could be observed in March and April 2020 in France, Italy and Spain (Foucault & Galasso, 2020). Also, outside de EU the issue persists. For example, India needs to create 10 million jobs yearly in order to absorb people who will be a part of the working population, besides the people who are unemployed. Therefore, the effects of the coronavirus spread on the job losses will only enhance the unemployment

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crisis. While in EU the workers with part-time contracts or self-employed were at risk, in India there are 136 million people working without a contract, which can be fired without any notice (Das, 2020). Moreover, globally women have been more affected by employment loss to a greater extent than men (ILO, 2021). Worldwide, loss of employment for women in 2020 was 5%, compared to 3,9% for men. Also, at EU level, women were more affected than men, especially in Czechia, Greece, Slovakia, Lithuania and Portugal, as shown in Figure 4 (Eurostat, 2020).

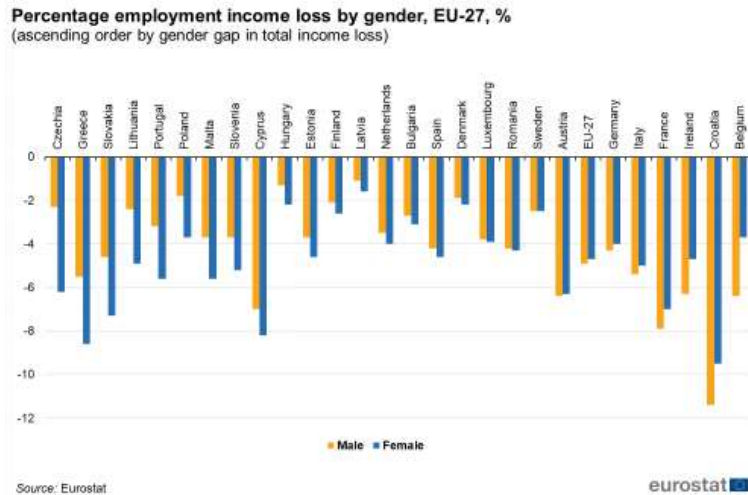


Figure 5. Income loss by gender

Source: (Eurostat, 2020)

A study shows that during pandemic, mothers had to reduce working hours significantly more than fathers, especially those with primary-school age or younger children (Collins, Landivar, Ruppner, & Scarborough, 2021), as shown in Figure 6.



Figure 6. Gender gap in hours worked

Source: (Collins, Landivar, Ruppanner, & Scarborough, 2021)

3. Policies for recovery after COVID-19 and improving the labour market

The main challenge from an economic point of view remains the re-opening phase which should be able to balance the recovery of the businesses and social activity, while keeping a low infection rate among population. There are a few measures that can be adopted in order to ensure a smooth process of reopening (ILO, 2020):

- **Staying safe.** As the companies are reopening, it is vital to ensure a safe return of the employees. If there is not a safe working environment, companies have to shut down again, and this action will have a strong negative effect on the economy's recovery.
- **Adapting job retention schemes.** Job retention schemes should be adapted taking into consideration the profile of the companies. The most important scheme is considered to be allowing employees to have flexibility regarding their work schedule and location.
- **Ensuring adequate income protection while providing job search assistance and support.** As economy will start recovering, there is a need to balance the support offered by the government to those who lost their jobs and the support for active searching for a new place to work.
- **Supporting job creation.** Job creation can be encouraged by increasing the bonuses for those who are offering re-employment during the pandemic context.

The pandemic context have brought to surface all the inadequacies of the labour market. Therefore, policies should not aim only the recovery, but also the improvement of this area. Policymakers should start building now a better working environment for the future jobs. There have been issued some general policies, but they should be redesigned accordingly to each country's particularities (ILO, 2020), presented in Figure 7. New policies should aim to improve the labour market by firstly ensuring an equal treatment and pay for all employees. Workers worldwide should feel protected by the national authorities in case of a crisis, like COVID-19. But, in order to ensure that, changes have to be made both in regulations, but also in mindsets. Moreover, the new policies regarding the labour market should pay attention to the equal treatment between men and women, as this is issue is still not solved in different countries worldwide. Finally, probably the most important lesson from the COVID-19 pandemic, is that we must be flexible in order to remain relevant on the market. But, flexibility is gained through a life long learning mindset. Those employees who understand the importance of flexibility and continuous learning will be the employees which can overcome any challenge regarding their professional career.

Enabling a rapid response to economic shocks
Improving working conditions
Modernising employment services and making them more flexible
Exercising social dialogue
Strengthening employment and social protection systems
Promoting gender equality in the labour market
Achieving better employment prospects for young people
Promoting lifelong learning opportunities for all to match changing skills needs

Figure 7. Policies for labour market improvment

Source: Adaptation after (ILO, 2020)

4. Conclusions

The aim of this paper was to identify the manner in which the spread of the coronavirus worldwide affected the labour market. The impact was analyzed from two perspectives. Firstly, the paper presented how the employees were affected taking into consideration their working hours, as many companies tried to save some costs by reducing the number of paid hours. Worldwide, in 2020 8.8% of global working hours were lost, comparing with Q4 of 2019 and half of the total loss of working hours in 2020 occurred during the second quarter of the year (ILO, 2021).

Secondly, the paper illustrated the effect of the pandemic on the income loss. Globally, labour income has declined by 8.3% in 2020, when compared to 2019 income. In monetary terms, this translates to a loss by 3.7 trillions dollars, compared to 2019 (ILO, 2021). For the countries in the European Union, when comparing with the previous years, there can be observed a sharp decline of -5.2% in the median employment income (Eurostat, 2020).

In the third part of the paper, it was brought to surface a special group of the labour market, meaning the vulnerable categories, which are often excluded from analysis. It was be illustrated which were these vulnerable categories and how were they affected by the restrictive measures and lockdown. For example, low-paid workers were the most affected group at the beginning of the pandemic and if we take into consideration the weekly earnings, in UK the bottom 10% of employees were seven times more likely to work in a sector that was affected by shutdowns, compared to the top 10% earners (Foucault & Galasso, 2020). Another vulnerable category was represented by people that are not engaged into a full-time, jobs such as self-employed, temporary contracts or part-time contracts. Moreover, globally women have been more affected by employment loss to a greater extent than men (ILO, 2021). Moreover, worldwide, loss of employment for women in 2020 was 5%, compared to 3,9% for men. Also, at EU level, women were more affected than men, especially in Czechia, Greece, Slovakia, Lithuania and Portugal, as shown in Figure 4 (Eurostat, 2020).

The main challenge from an economic point of view remains the re-opening phase which should be able to balance the recovery of the businesses and social activity, while keeping a low infection rate among population. Therefore, policies should not aim only the recovery, but also the improvement of this area. Policymakers should start building now a better working environment for the future jobs.

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