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SOCIAL DIMENSIONS OF THE IMPACT OF THE COVID-19 PANDEMIC ON THE LABOR MARKET

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ABSTRACT

Undoubtedly, the double (health and economic) crisis generated by the SARS-CoV-2 virus is felt on the labor market of each state, regardless of the level of development. Among the actors acting on the labor market, those who fully feel the effects of the pandemic are the employers and, implicitly, their employees. The article highlights some of the forms and social dimensions of the impact while emphasizing the relations with the specifics of the economy and the vulnerabilities existing on the market before the outbreak of the crisis.

KEYWORDS:

COVID-19, labor market, working hours, inactivity, unemployment

1. Introduction

Developments in the current economic and social environment include the events that have disrupted the daily lives of the population and the economies of states since 2020, as well as the ability each state has built in time to deal with different shocks, some even periodic (such as economic / financial crises). As everyone felt, the period of the previous year and the first part of the current year were marked by the health and economic crisis triggered by the SARS-CoV-2 virus.

The manifestation of the pandemic in waves (the fourth wave is already underway!) severely marked the economies and populations of each state. Against this background and in view of the fact that in order to visualize the future it is important to start from the realities of the present and with the help of relevant indicators for the labor market, the article aims to identify the "traces" left by the social crisis and the manner in which the response measures considered essential in the process of future recovery and reconstruction are reflected on the labor market.

The elaboration of the article is based on a series of statistical data, reports and studies published at international level (World Bank, International Labor Organization / ILO, International Monetary Fund / IMF, Organization for Economic Co-operation and Development / OECD, European Commission, etc.), as well as on the opinions of some researchers found in the specialized literature that analyze the same issue (Gourinchas, 2020; Dăianu, 2020).

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2. Considerations and questions regarding the crisis generated by the COVID-19 pandemic

The numerous publications that appeared with the onset of the health crisis show, on the one hand, the unexpected emergence of the phenomenon, and, on the other, the widespread concern regarding the short-time effects. As is usually the case in such contexts, questions are asked about the period before the onset: Could it have been anticipated or prevented? How deeply have economies and social life been affected? And most importantly, now that it has already happened and so that the experience can be included in the lessons learned category: Were the best measures taken to overcome the crisis? Can states recover and look optimistically into the future? Perhaps these are common questions now, but each of them may have different answers (not only information and context matter, but also interpretation and good faith). The most relevant ones form the basis for shaping the current economic and social image and can trigger possible answers and solutions for consolidation.

Regarding the question related to the possibility of anticipating / preventing the crisis, probably the vast majority of those who have analyzed the phenomenon find that there were no visible signs to indicate the outbreak of a crisis, especially a double one: health and economics. The literature shows that before the current crisis, international institutions (IMF, European Central Bank, etc.) were concerned about the challenges of stability for the global economy (Dăianu, 2020) and that there were some apprehensions about the possibility of a new economic crisis, nonetheless by no means a sanitary one (Reinhart & Subbaraman, 2020).

The intricacies of the extension and the depth of the economic and social damages are reflected in most of the reports and studies elaborated by the specialized international institutions and in the interventions of some of their representatives on the occasion of different public appearances. Comparisons of the current effects with those of other previous crises and the warning about the economic and social regression highlight the dimensions of the disaster and the concern for identifying solutions.

In view of the huge impact on public health and given the unprecedented shocks on economies and labor markets, the International Labor Organization considers the COVID-19 pandemic "*to be the worst global crisis since World War II*" (International Labour Organization, 2020, p. 2).

In the study *COVID-19 and Human Capital*, the World Bank estimates in relation to the effects on the global economy, that the global recession has been "*the most serious in the last eight decades, almost three times more serious than the global recession of 2009"* (World Bank, 2020).

The position expressed by the Organization for Economic Co-operation and Development, which categorizes the crisis as "*a global public health crisis unprecedented in the living memory*", is in line with this opinion, arguing that "*the global economy is now facing the deepest recession since the Great Depression of the 1930s, with a decline in GDP of over 20 % and rising unemployment in many countries during the period of closure*" (The Organisation for Economic Co-operation and Development, 2020).

The extremely unfavorable consequences of the COVID-19 crisis on Africa's growth prospects led Kristalina Georgieva, Director-General of the International Monetary Fund, to warn, in an address to the annual meeting of the African Development Bank, that "*It is a human tragedy and an economic calamity.*" (Burke, 2021).

The huge economic losses and the short timeframe in which they occurred led Nouriel Roubini to declare that the current crisis manifests as a shock to the global economy "*faster and more severe than that generated by the global financial crisis in 2008 and even than the one generated by the Great Depression*", given that effects of the two crises occurred over a period of three years. "*In the current crisis, equally serious macroeconomic and financial consequences materialized in three weeks*" (Roubini, 2020).

In his response to the state of the economy after the Coronavirus pandemic, Robert J. Shiller anticipates possible changes based on the resemblance of the atmosphere created to that of a war, in which "*Although the enemy is a virus and not a foreign power, the pandemic has created an atmosphere of war in which fundamental changes suddenly seem possible*" (Shiller, 2020).

Romanian specialists have assessments similar to those of their counterparts abroad. Daniel Dăianu states that "*It's like war (Kriegswirtchaft / war economy), in the sense that we are entering a different regime of economies. It is necessary to mobilize and reallocate resources to support the main battle front, that of saving human lives, of supporting the medical systems, which are overworked...*" (Dăianu, 2020, p. 10).

As it can be seen, the views expressed encompass the size of the economic and social events that have taken place and show the overall picture that, despite the initial confusion, gave rise to extraordinary mobilization of resources and energies aimed at the same goal: stopping the pandemic and normalizing the affected areas.

Although the effects of the COVID-19 pandemic are compared to those of other previous crises, it is important to point out that each of them took place in different contexts and was triggered by a combination of factors, often of a financial nature. However, the main cause of the current economic crisis is of an exogenous nature, as both the cessation of activities and their restart being made "at order", based on the solutions invoked by medical specialists, who were under the pressure of the pandemic's expansion.

The interconnection of economies, the diversification of trade relations and the expansion of supply chains have allowed the rapid rolling of negative effects between regions and states. The connections manifested as factors favoring the spread of the crisis are highlighted by Professor Pierre-Olivier Gourinchas in his meaningful answer, on how the economy can be affected by the SARS-CoV-2 virus, respectively "*A modern economy is a complex network of interconnected parties: employees, companies, suppliers, consumers, banks and financial intermediaries. Everyone is the employee, the customer, the creditor, etc. of another. If one of these buyer-seller links is broken by disease or isolation policies, the result will be a cascading chain of disruption*." (Gourinchas, 2020).

3. Highlights of the social effects of the COVID-19 pandemic on the labor market

3.1. Coordinates of the manifestation of the health crisis on the labor market – global context

The onset of the COVID-19 crisis surprised the actors on the labor market and faced them with unprecedented decisions and actions. Each of the parties involved (Figure no. 1), from authorities and entities that create / supply goods or services to the final consumer, had to adapt to the new reality and respond to signals from the market or the health domain.

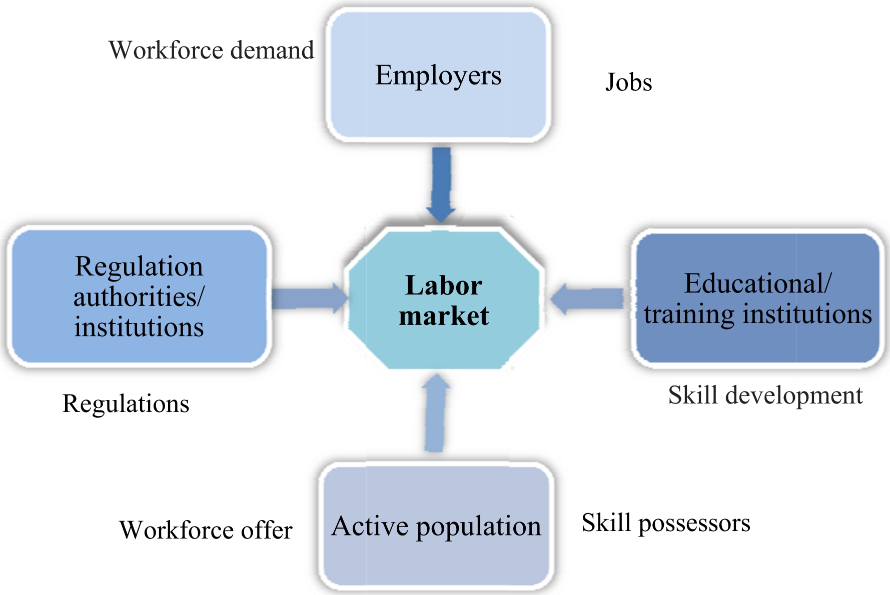

Figure no. 1: Labor market actors affected by the crisis

Previous periods of economic and financial crisis have revealed that the reduction of losses and the economic recovery following the crisis have crucially depended on the scale and quality of state interventions in the real economy. Common to most states, measures to restrict or discontinue activities in certain economic and social sectors (especially those in which there is high contact and a higher risk of spreading the virus – services, transport, tourism, education, etc.) have not been without economic, social and even psychological consequences.

The UN update on "*Debts and COVID-19, 2020*" reviews some of the disruptions generated on the global financial markets, especially the fact that it has involved investors in the race to withdraw funds from emerging markets and other high-risk sectors and in their placement in safe havens. According to the quoted publication, capital outflows from emerging markets were unprecedented, reaching over $90 billion. Furthermore, most developing countries have experienced a significant shock, reflected in the collapse of trade, disruption of global supply chains and a sharp drop in commodity prices (supply shock) – for example, the price of oil has reached a minimum value of $22 per barrel in March 2020 (United Nations, 2020).

The public data highlight common ways in which affected employers have tried to protect their businesses and employees. Restricting the movement of the population outside the locality or country, working from home (remotely), restricting economic and social activities, as well as other measures imposed by the authorities, kept the population away from the pandemic, but has also reduced the consumption of certain goods or services (effect on demand). In addition to the actual effects specific to the measures adopted, the behavior of the population was also influenced by conflicting information on the effectiveness of the vaccines used, generated distrust of the measures taken by the authorities and created the impossibility of anticipating the duration of the pandemic. Together, all of these have led to the installation of a state of waiting, of giving up (postponing) some investments or acquisitions of goods or services. Therefore, unlike a typical economic shock, the COVID-19 pandemic and the policies applied to mitigate its spread have had economic repercussions that involve not only supply and demand, but also trust.

Regarding the labor market in a pandemic context, the strongest influences were exerted on: the number of jobs, the level of employment and unemployment; quality of work (mainly that performed at home / remotely – due to non-performing technical devices or low digital skills, as well as decreased coordination and cooperation within teams, etc.). Of particular note are the consequences on vulnerable groups (which are the focus of several international institutions), including women, young people with precarious employment, older and disabled workers, self-employed or low-income workers, as well as migrant workers and people known as "*invisible workers*", i.e. those who perform undeclared work (European Economic and Social Committee, 2020).

In order to have an image of the impact of the crisis on the labor market, relevant indicators are used: employment level, unemployment, inactivity. Although each of them facilitates the understanding of parts of the whole, the hours worked are taken into account in order to have a complete picture of the depth of impact. The indicator of the evolution of working hours is particularly relevant, especially during this period, because, on the one hand, it captures the changes that have occurred as a result of underutilization of labor by reducing the hours worked by those who remain employed (reduced working hours or having "*pending*" employees – "*zero working hours*"), and, on the other hand, it reflects job losses, i.e. those caused by the transition of certain people from employment to unemployment or inactivity after dismissal (International Labour Office, 2021c).

The data presented below highlight some of the social challenges that companies face as a result of the pandemic impact on labor markets. At the same time, it is shown that, although the pandemic network has covered the entire world, the effects and ways of eliminating it depend on the possibilities of intervention of each state, both in ensuring the health protection of the population and in supporting economic and other activities of the labor market participants.

The International Labor Organization (ILO) points out that globally, about half of the loss of working hours is due to job losses, while the other half is attributed to the reduced working hours of those who remain employed (including workers who do not perform within job retention schemes).

According to the assessments made by the above-mentioned institution in 2020 – the peak period of the crisis – the total working hours decreased globally by about 8.8% compared to the fourth quarter of 2019, which is equivalent to the hours worked in a year of 255 million full-time workers (48 hours a week). Compared to the losses due to the global financial crisis in 2008-2009, the total losses in working hours generated by the COVID-19 shock were about four times higher in 2020 (International Labour Organization, 2021a).

In what regards the first channel of loss of working hours, namely employment, it is estimated that in most countries employment losses in 2020 were mainly due to increased inactivity, rather than unemployment. Thus, of the 114 million people whose jobs have disappeared worldwide, 33 million have become unemployed (which has made the number of unemployed exceed the threshold of 220 million), and the difference of 81 million has entered the category of inactive people. However, with the expected economic recovery in the next period, global unemployment is expected to fall to 205 million (Figure no. 2).

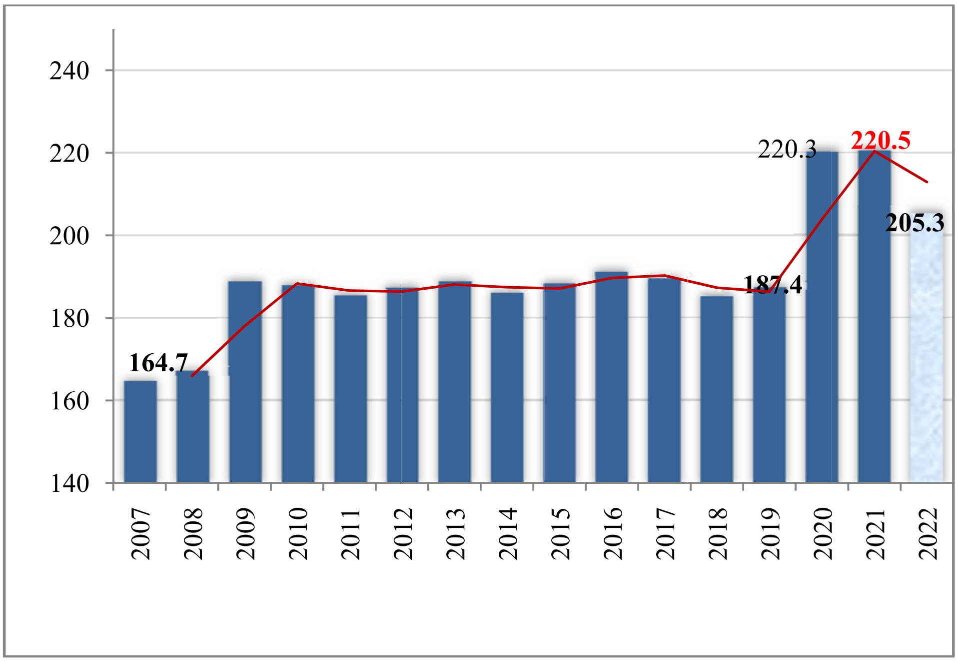

Figure no. 2: Global unemployment (millions)
(Source: International Labour Organization, 2021c)

The perspective of the employment level in relative values reveals that the employment-to-population-ratio (EPR) at global level decreased by 2.7 percentage points (from 57.6 % to 54.9 %) in 2020, compared to 2019, with an unemployment rate increased by 1.1 percentage points, i.e. at a level of 6.5 %. For 2022, the unemployment rate is estimated to rise to 5.7 % (International Labour Office, 2021c).

3.2. Highlights of the impact of COVID-19 on different labor markets – groups of states

The analysis of the effects of the health crisis on the labor market specific to economies with different levels of development highlights the accentuation of existing market inequalities before the crisis, both between states with strong economies and other groups of states and within the same labor markets.

In view of the fact that the global analysis indicators offer an image of what is happening on the labor market in the composite economies, the same indicators will be used, in order to reflect the impact on the labor markets of developed countries, of those with medium and low incomes. The indicators are: namely the change of hours worked the evolution of unemployment and inactivity.

According to ILO estimates regarding the changes in the total number of hours worked at the level of Member States of the Organization for Economic Co-operation and Development / OECD (including developed countries), in the second quarter of 2020 the total number of hours worked was reduced by more than 15 % in OECD (OECD, Employment Outlook, 2021). Over the same period, the ILO indicates a decrease in the working hours for low-income countries by about 13.9 % (ILO, 2021b).

Relaxation of travel and the gradual resumption of activities in the third quarter also triggered the start of the recovery of working hours in most groups of states. Consequently, throughout 2020, in high-income countries the loss of working hours reached 8.3 %, while it fell to 6, 7 % in low-income countries (Congressional Research Service, 2021).

As presented above, the total number of hours lost reflects, on the one hand, the reduction of the working hours and, on the other hand, the loss of employment (inactivity or unemployment). The contribution of each of them to the total estimated for the analyzed economies is highlighted next. Thus, the ILO estimates that in high-income countries more than half of the total lost working hours are due to reduced hours / working hours (4.9%), while unemployment represents 2.0%, and inactivity 1.4 %. Compared to these, in low-income countries, the reduction of hours / work schedule is equivalent to 3.4 % of the total hours lost, inactivity by 2.9 %, and unemployment has the lowest share of the total, respectively 0.4 % (Congressional Research Service, 2021).

In 2020, compared to 2019, OECD estimates the actual loss of jobs due to pandemics for Member States at 22 million. Depending on the specific situation, the people who held the 22 million jobs are included in the category of unemployed (8 million) and inactive people (14 million) (Organisation for Economic Co-operation and Development (OECD), 2021). According to these values, of the two components that reflect job losses, respectively unemployment and inactivity, the latter has a higher level than the former.

The relative values of the last indicators referred to earlier (unemployment and inactivity), from the peak period of the pandemic, namely the second quarter of 2020, further highlight the initial impact and the subsequent recovery. According to official OECD statistics, with the onset of the pandemic, inactivity rates increased from 27.3 % in the second quarter of 2019 to 30.4 % in the same quarter of 2020 and fell to 28.2 % in the first quarter of 2021 (OECD.Stats). The same trend is observed in the evolution of the unemployment rate, whose level increased from 5.4 % in the second quarter of 2019, to 8.6 % in the same quarter of 2020 (the highest level during the pandemic). Later, it started to decrease and in the 2nd quarter of 2021 it reached 6.6 % (by over 1.2 percentage points (pp) above its pre-pandemic level from the 2nd quarter of 2020 (Figure no. 3).

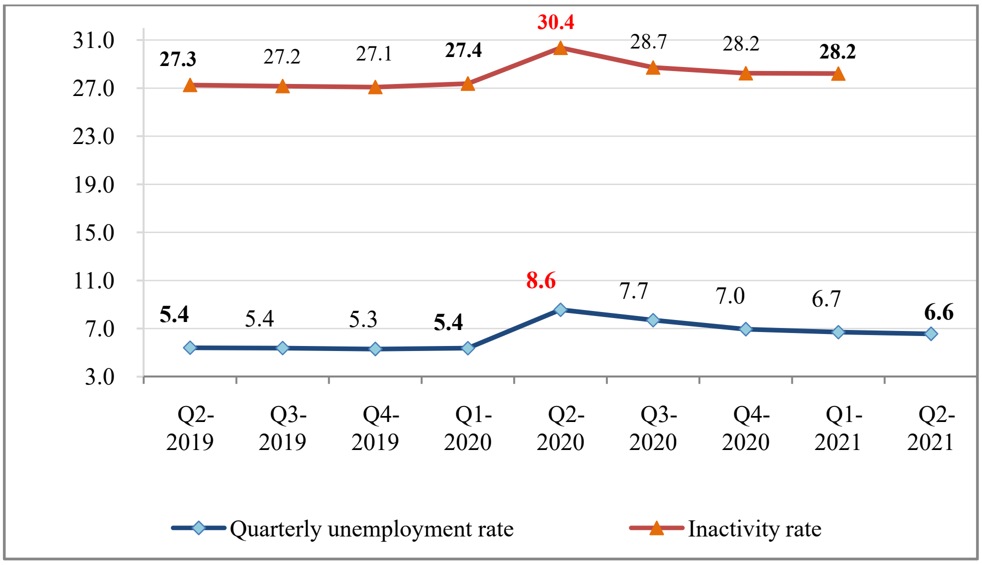

Figure no. 3: OECD – Quarterly unemployment and inactivity rate
(Source: OECD.Stats)

The recovery seen since the 1st quarter of 2021 is based, on the one hand, on state budget and fiscal support interventions and, on the other hand, on labor market relaxations and the resumption of activity in most economic sectors (even if not in all areas at pre-crisis levels) starting with the last part of 2020 and continuing into 2021.

In what concerns the impact of the Covid-19 crisis on developing labor markets, the rapid increase in unemployment is noteworthy, especially the record increases in the unemployment rate, until mid-2020, in Nigeria (27 %), India (23 %) or in Columbia (21 %) or in other states, where the extent was much wider (United Nations, 2021).

In terms of reduced working hours, one might think that lower-income states have been less affected than states with developed economies, but the impact on economies and population is much more severe. For workers and households, the risk lies not only in higher unemployment and inactivity rates or in low wages, but also in the even deeper fall in informality, under-consumption, hunger, and long-term poverty.

Partly, it is estimated that the lower percentage of reduced working hours in lower- or middle-income countries reflects the dominant activities in the economy and their reduced opportunities to support the affected sectors. An example is the proportion of global tax support, estimated at about $10 trillion in June 2020, granted to almost 90 % of high-income economies and only 0.03 % of low-income economies (International Labour Organization, 2021b). Therefore, the recovery of labor markets requires sustained efforts to identify and infuse additional resources to stimulate demand, regenerate jobs and bring employment and skills to current and future employment needs.

4. Conclusions

The peculiarities of the labor market of each group of states, the robustness of the activity sectors and the structure of the occupational categories of each economy determined their resistance to the impact of the pandemic generated by the Sars-CoV-2 virus, reflected in the social and economic losses suffered.

The loss of worked hours is more than a simple reduction in the number of staff or schedule. In most of the cases, as the number of worked hours decreased, the workers who kept their jobs experienced a considerable reduction in revenue. Since the salaries have lower values in the affected areas, which does not allow beneficiaries to make savings to be used in case of need, it can be deduced that, in the future, not only the employees, but also those depending on their income, will experience poverty.

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