



THE LABOR MARKET THROUGH THE PRISM OF THE CONSEQUENCES OF THE COVID-19 PANDEMIC

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ABSTRACT

The paper examines the new economic realities of the labor market, caused by the pandemic of COVID-19. The analyses of the effects of the crisis as a whole are systematized, and the most affected sectors are highlighted. Urgent policies are needed to overcome the negative trends and slow economic growth. This is complemented by the study of the integrated indicator for the economically active population in the period 2008-2021, which confirms the deterioration and insufficient effectiveness of the measures by the state.

Key words: labor market, economic and social development, COVID-19, public policies

INTRODUCTION

The globalization and urbanization have transformed the coronavirus pandemic into a global threat which requires an urgent collective action so that preventive measures to be taken and the negative effects mitigated. The health crisis has altered the world economy and politics significantly, with the deepest impact observed in healthcare, employment, trade, tourism and research.

COVID-19 poses serious challenges not only to the health system, but also to the overall development of the economic and social system on a worldwide scale. The adverse impact of the coronavirus pandemic on the macroeconomic stability is seen in the deterioration of key macro-framework indicators such as r.GDP; incomes; unemployment rate; productivity, even the close-down of entire sectors such as tourism.

The pandemic also leaves a deep mark on the functioning and development of the labor market, which in turn puts strong pressure on the social system.

All this requires an analysis of the scientific sources, evaluating, on the one hand, the impact of

the pandemic on the condition and development of the economic system and labor market, and, on the other hand, the effectiveness of the measures applied to mitigate the adverse effects of the pandemic.

ANALYSIS AND CONCLUSIONS

The issue for the impact of the health pandemic on the economic development and the labor market is becoming increasingly relevant due to the large scale of COVID-19. The aforesaid attracts the interest of even more authors who are still at the very beginning of the problem. At this stage, there is a shortage in the scientific literature works dealing with quantifying the damage caused by the pandemic. This makes the research in the field even more important.

The review of the sources in the present study will distinguish several areas: firstly, the authors who consider the effects of COVID-19 on the **labor market**, secondly - on the **economic development in general**, and thirdly, the analyses are aimed at dissecting the **current measures** and **proposing effective measures to manage** the negative impact of the pandemic.

Some of the authors who study the effects of the pandemic on the **labor market**, focus their analysis on the qualification of the workforce and find that most affected are the jobs of low-skilled workers, who also receive lower salaries, while higher-paid jobs occupied by highly qualified personnel are in a better position and rarely fall

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into sectors which cease operations during the pandemic (1).

Adverse effects after periods of economic crises, regardless of the factors which triggered them, are the slow growth of employment and the emergence and maintenance of long-term unemployment. These negative effects on the labor market are observed in the COVID-19 pandemic. In such situations, active labor market policies aimed at creating temporary employment of the unemployed are perceived as an effective means of reducing the share of the long-term unemployed (2).

A UNCTAD study (3) examines the impact of COVID-19 on the economic development through three channels: supply, demand and finance.

In terms of demand, income constraints, household expectations (which are in the direction of limiting personal consumption due to the uncertainty of the erupting pandemic), and rising unemployment are particularly unfavorable. All these factors slow down and even limit private investment, which ultimately generates a negative effect on the aggregate demand.

As for the supply, the restriction of production activity due to the application of anti-epidemiological measures creates problems in the global supply chains due to the highly globalized market. This in turn adversely affects stocks.

In terms of finance, high indebtedness, especially of companies with broken supply chains, combined with declining economic growth and foreign exchange earnings, is a prerequisite for a credit crunch, even at low interest rates.

Other authors examine the sectors which are most affected by the pandemic economy. Vavra (4) identifies the following sectors as the most pressurized: restaurants; transport; entertainment (casinos); personal services; commercial sites and specific production such as automotive. These sectors account for a substantial share of the total employment and the temporary cessation of their activities has a significant impact on the level of employment, which is declining and is only partially offset by the increase in employment in other areas such as grocery stores.

Apart from the affected sectors, Açıkgöz, Günay (5) draws the attention to the adverse effects of the pandemic on employees, customers, supply chains and financial markets, which is ultimately a precondition for a global economic recession. However, due to the specifics of this external

shock for the economy, it is hard to predict the duration and strength of the recession.

A number of studies point international collective action and global investment in preventive measures research such as vaccine development and real-time monitoring tools as a good opportunity to mitigate the negative effects of the pandemic on the economic development. (6)

Other analyses (3) highlight the significant role of public investment in tackling the crisis. State intervention such as the increase of government spending on goods, services, social work and construction is an opportunity to offset limited consumer and investment costs in the economy.

The fiscal support from governments to deal with the negative effects of the pandemic is unprecedented and is particularly important for the recovery of various sectors as well as for the labor market. On the other hand, however, the trend is that the fiscal stimulus is unevenly distributed in developed and developing countries, with much higher levels in high-income countries. The aforesaid becomes a prerequisite for uneven recovery processes (7).

An empirical study assessing the effectiveness of active labor market policies in the European countries states that the type of the program is of utmost importance for its effectiveness. For instance, the programs having the greatest positive effects are those in the public sector, while the most commonly implemented active labor market policies, such as training programs, again result in positive aspects, although rather moderate ones (8).

A review of the scientific sources demonstrates that despite the various prisms through which an assessment of the negative effects of the coronavirus pandemic is made, the authors agree that targeted action is needed to alleviate the pressures on the economic development and the labor market.

An additional problem for Bulgaria is the deepening demographic crisis and the reduction of young people in working age groups of the population and the workforce. An integral indicator (9) has been developed for the Risk Management Laboratory at the New Bulgarian University, which allows for an overall assessment of the trends in the economic /lack of/ activity, employment and unemployment; more objective assessments of the labor market in long time series; more objective comparisons and assessment of the differences between countries or

regions in variation series and introduction of benchmarks and assessment of convergence/ departure from these values. The integral indicator EAEP includes time series of economic activity rate, employment rate, labor force, the economically inactive population for the period

2008-2021. The interpretation of the indicator states that when all persons are economically active and employed, the value of this indicator is 0 (zero), and the higher its values, the more unfavorable they are.

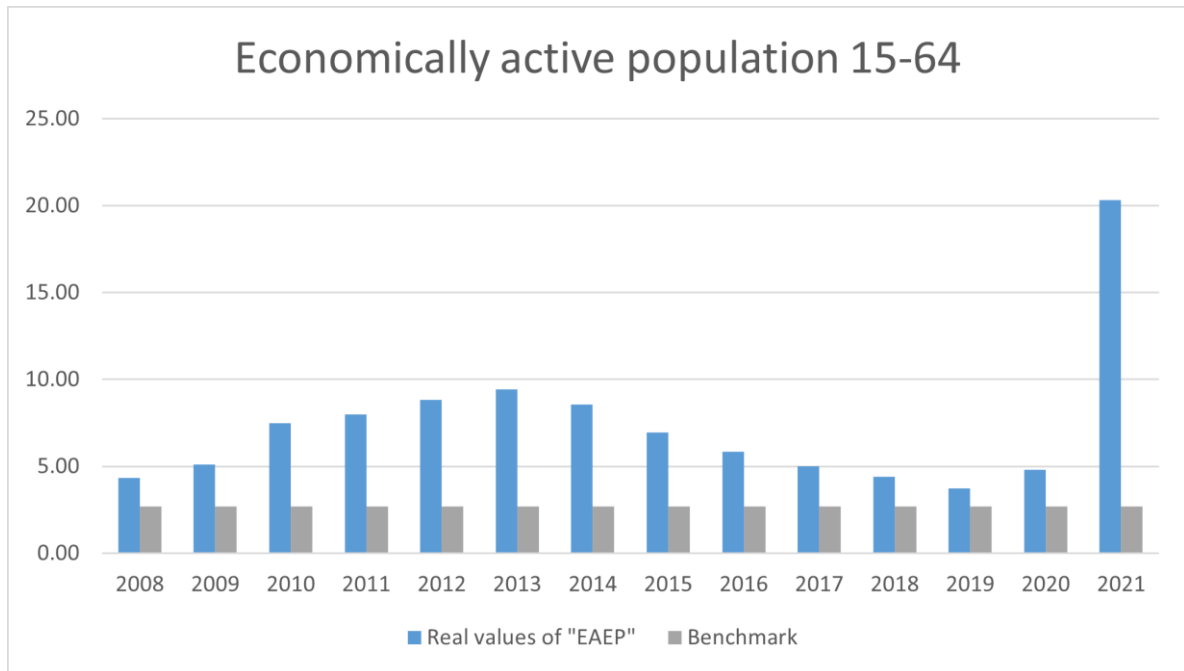


Figure 1. Integral indicator for the economically active population
Source: Own calculations acc. to NSI database by the methodology of Hristoskov (9)

The results confirm the theoretical conclusions and demonstrate that the increase in employment and decrease in unemployment in the period 2017 - 2018 are a result of accelerated economic activity mainly in the private sector and less as a result of active labor market policy. The unfavorable trend following the epidemic and the need of urgent policies are clearly outlined. The gap between 2020-2021 is extremely large, as this period is characterized by severe and unfavorable trends in the labor market as a result of the COVID-19 pandemic. This is due to the fact that measures have been taken in the previous two years to support employers through subsidized employment, but they have proved insufficient to endure for a longer period and entire businesses in certain sectors have gone bankrupt. It should be noted that the consequences of the pandemic have a greater negative impact than those of the global economic crisis. Additionally, the presence of inflationary processes will lead to an even more impoverished population of Bulgaria. The policies undertaken are not yielding the necessary results, which emphasizes the necessity for an update and actions which need to be taken urgently on the opportunities

provided by the Recovery and Sustainability Plan and the operational programs.

The challenges facing the labor market as a result of the pandemic are pushing for a rearrangement of priorities in the active labor market policies, and they are mainly targeted at certain narrow groups: “unemployed; employed people who are at some risk of losing their jobs unintentionally; and people who are inactive but would like to work” (10).

A possibility to alleviate the effects of the pandemic on the labor market is to implement public policies. On the one hand, the use of active labor market policies makes it possible to create temporary employment and to include the most vulnerable and most affected groups on the labor market in employment. This opens ways for discussion which program could function most effectively? The answer to this question is ambiguous and largely depends on a number of factors such as the specifics of the target groups, the state of the institutional environment, etc.

CONCLUSION

The consequences of the COVID-19 epidemic will become a growing threat to the country's economic and social development. The ongoing globalization processes, combined with the demographic crisis, urbanization and inflation, require urgent action in the labor market. More and more industries are beginning to face serious difficulties, all the more so as subsidized employment from the measures taken to combat the consequences is beginning to fade. All this is a serious precondition for recessionary processes which will slow down the economic growth and without the necessary labor, educational, health and social policies, the state of the labor market will deteriorate and the pressure on it will increase.

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