

IMPLICATIONS OF THE HEALTH CRISIS GENERATED BY THE COVID-19 PANDEMIC ON THE ROMANIAN LABOUR MARKET

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Abstract: *The International Labour Organization warns that the Pandemic will have devastating effects on the labour market, worldwide. It specified that an impressive number of employees have already been affected by the social distancing measures and that this crisis will be the worst for the labour market since World War II. The impact of the pandemic has been and is still strongly felt on the Romanian labour market as well. Most companies in the economy sent their employees in technical unemployment in the spring of 2020, and most employments are cancelled, postponed or frozen. The European Commission forecast that the Romanian economy will contract by 5.2% in 2020 and the deficit will grow by 10.3% of GDP. The hope for November 2020 comes from the pharmaceutical companies Pfizer and BioNTech who announced an efficacy of 90% of the Covid-19 vaccine and from which the European Commission has already contracted 300 million doses of vaccine, at a lower price than that the USA will pay.*

Key words: labour market, employees, COVID-19 Pandemic

JEL Classification Codes: M 12.

I. INTRODUCTION: FROM THE HEALTH CRISIS TO THE ECONOMIC CRISIS

“The Covid-19 outbreak represents an unprecedented test for the world economy, which, unlike the SARS episode, is now much stronger interconnected, with China as main actor on the international trade. The increasingly bigger supply problems, especially from China, the main world exporter, the significant fluctuations in the resource tariffs, such as oil, gas, popper, etc., are elements susceptible to generate the perspectives of a potential crisis, also enhanced by the significant decrease in consumption worldwide, the main economic engine”, state the analysts quoted by Frames barometer [4].

As at 04.02.2021, 104,928,503 cases of infection with the SARS-COV-2 virus were recorded worldwide, which unfortunately caused 2,278,995 deaths among the infected people, which represents 2.17% [8].

The top 10 countries with the most infections are shown in the table and the chart below:

Table no. 1 Top 10 countries in terms of number of SARS-COV-2 cases

It. no.	Country	Number of cases at 04.02.2021
1.	USA	27,150,457
2.	India	10,791,123
3.	Brazil	9,339,921
4.	Russia	3,901,204
5.	UK	3,871,825
6.	France	3,251,160
7.	Spain	2,913,389



8.	Italy	2,583,790
9.	Turkey	2,501,079
10.	Germany	2,252,489

Source: <https://www.worldometers.info/coronavirus/>

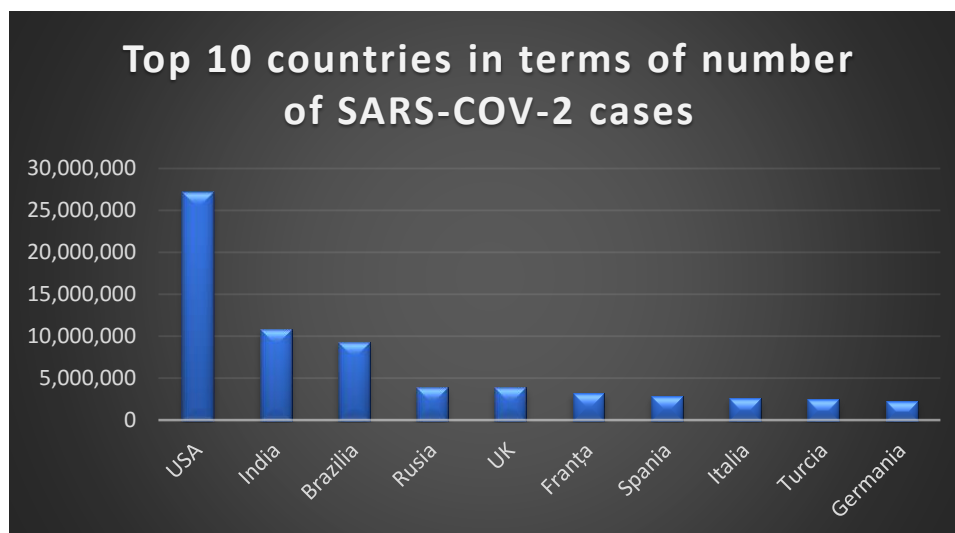


Figure no. 1 Top 10 countries in terms of number of SARS-COV-2 cases

Source: <https://www.worldometers.info/coronavirus/>

Romania was on the 25th place at 04.02.2021, with a number of 735.484 cases of infection with this virus, which, unfortunately, caused 18.600 deaths.

The chart of the evolution of the infection cases in Romania is shown in the image below:

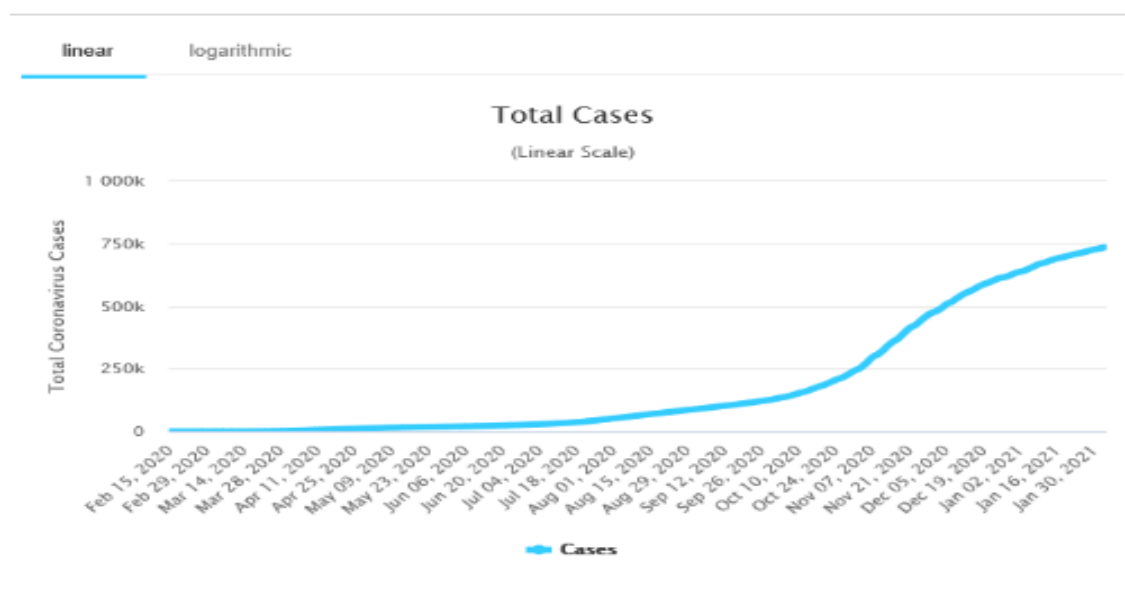


Figure no. 2 Evolution of the SARS-COV-2 infection cases in Romania

Source: <https://www.worldometers.info/coronavirus/country/romania/>

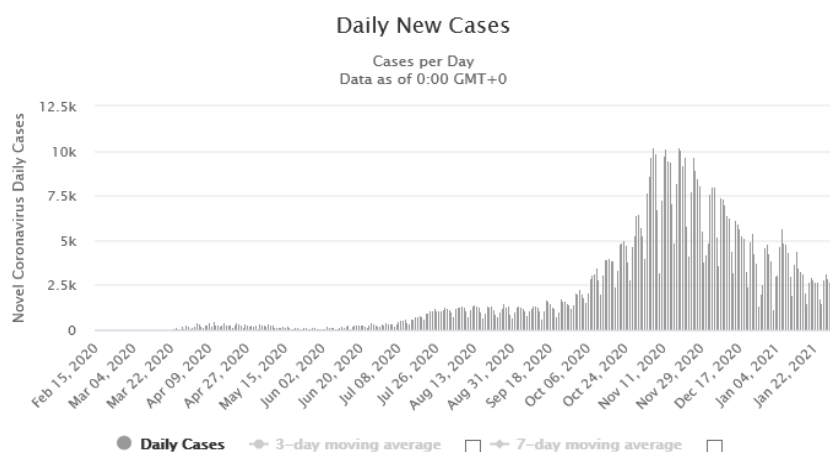


Figure no. 3: Evolution of the daily cases of persons infected with the SARS-COV-2 virus in Romania

Source: <https://www.worldometers.info/coronavirus/country/romania/>

Apparently, Romania is in a declining path in relation to the daily infections with this new virus, I am using the word “apparently” due to the fact that an increasing number of voices deem that this is not the real situation and that, in fact, people no longer undergo PCR tests, they recognize the symptoms, in many cases they just use rapid tests only.

The outspreading of the coronavirus epidemic caused disturbances in the financial markets, significant effects being expected on the global economy as a result of the measures taken for the management of the health crisis. For the Romanians, the effects of a crisis on the economy can be most easily experienced through the depreciation of the domestic currency in relation to the EUR, which trend can be immediately noticed in bank loan rates, higher phone or utility bills, as well as the purchasing power for goods such as real estate ones (flats, rents, etc.) or cars.

"Our first priority is the health of our citizens. At the same time, the coronavirus outbreak is a a major shock for the European and global economies. Member States have already adopted or are adopting budgetary, liquidity and policy measures to increase the capacity of their health systems and to provide relief to those citizens and sectors that are particularly impacted"[1].

In Order to alleviate the negative effects in the standard of living of the population and on the economy, the European Commission has adopted a broad set of economic measures, has made the European budgetary norms as flexible as possible, has reviewed its norms on state aid and has established *the Coronavirus Response Initiative*, in the amount of 37 billion EUR, with the purpose of providing cash to small enterprises to the healthcare sector. At the same time, on 2nd April, the Commission proposed broad measures for the mobilization of each euro in the EU budget to protect lives and the standard of living. The Commission launched a new initiative, the Support mitigating Unemployment Risks in Emergency (SURE), which will contribute to keeping jobs and helping families. A proposal was also made to redirect all available structural funds towards the coronavirus response. Farmers, fishermen and the most disfavoured people will also receive support. A EU initiative for solidarity in the health field, in the amount of 3 billion EUR, will meet the needs of the health systems of the Member States[1].

II. THE MAIN ECONOMIC TRENDS ON THE BACKGROUND OF THE COVID-19 PANDEMIC

The COVID-19 Pandemic causes, each day, higher concerns related to the big economic and social crisis that will impact the planet. World Bank experts are talking about the “deepest”

recession since World War II and the worst economic crisis on the planet in the last 150 years. And the signs of the “economic apocalypse” are already apparent everywhere.

The International Labour Organisation has carried out analysis, with three scenarios possible, until the end of the year 2020, in relation to how the coronavirus pandemic will affect unemployment, worldwide (see Table no. 1).

Table no. 2 The three possible scenarios identified by the International Labour Organisation

The “optimistic” scenario	assesses a decrease by 1.2% of the number of working hours worldwide, which would be the equivalent of 34 million jobs lost.
The “baseline” scenario	assesses a decrease by 4.9%, the equivalent of 140 million jobs.
The “pessimistic” scenario	Implies the outbreak of a “second wave” which will lead to the reinstatement of severe restrictions and lockdown, in which case there will be decrease in working hours by 11.9% and the loss of 340 million jobs.

Source: https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_767028.pdf

According to these 3 scenarios, between 34 million jobs and 340 million jobs will be lost worldwide.

The Telegraph noticed at the end of August that the current situation has created a separation between the nations of the Old Continent: on one side, there are the countries whose Gross Domestic Product will collapse this year, and on the other – the nations that will have a less drastic contraction of the GDP.

In Romania, according to the National Institute of Statistics, the main economic trends for the next months are shown in the figure below:

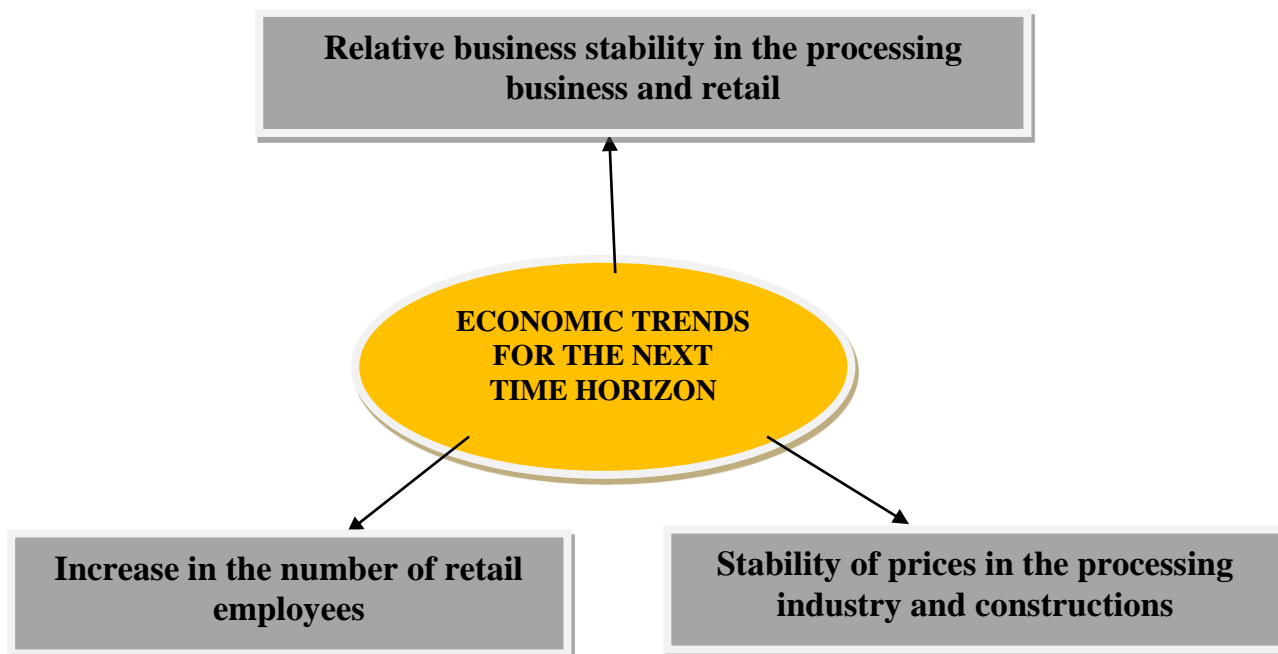


Figure no. 4 : Economic trends for the next time horizon

For each important sector, the evolution of the business, of the number of employees and of the prices is shown in Table no. 3:

Table no. 3 Trends of the main business sectors

Business sector	Trend in the next 3 months
Processing industry	In the conjuncture survey carried out in October 2020, managers in the processing industry forecast, for the next three months, a relative stability of the production volume. The activities that will record an increase will be: tobacco manufacturing, manufacturing of basic pharmaceutical products and pharmaceutical preparations, followed by the manufacturing of road transport vehicles, trailers and semi-trailers. In relation to the number of employees, a moderate decrease is estimated, the conjectural balance being -7% per entire processing industry, while in relation to the prices of the industrial products, a relative stability is forecast in the next three months.
Constructions	According to the estimations made in October 2020, in the construction business, a decrease will be recorded in the production volume over the next three months, a moderate decrease in the number of employees, while in relation to the prices, a relative stability is forecast.
Retail	In the retail sector, managers have estimated, for the next three months, a relative stability trend in the economic activity, the volume of the orders placed with goods suppliers by the business units will record a moderate increase, and employers forecast an increase in the number of employees over the next three months. For the next period, the managers of trading companies estimate that there will be an increase in retail selling prices.
Services	According to the estimations made in October 2020, the service demand (the turnover) will record a moderate decrease over the next three months, sharp decrease will be recorded for creation activities and artistic interpretation, air transports and hotel activities, as well as other accommodation facilities. In the service sector, a decrease in the number of employees is estimated. According to the managers' opinion, the selling or invoicing prices for the services will be on a moderate downtrend.

Source: adapted based on https://insse.ro/cms/sites/default/files/com_presa/com_pdf/tea_octombrie_r20.pdf

Therefore, Romania's situation on the background of the crisis generated by the Covid-19 Pandemic does not depend in it entirely. Due to international trade and foreign investments, Romania also indirectly bears the economic consequences faced by other countries as well.

III. THE IMPLICATIONS OF THE COVID-19 PANDEMIC ON THE LABOUR MARKET

The International Labour Organisation warns that the Pandemic will have devastating effects on the labour market, worldwide. It specifies that 2.7 million workers have already been affected by the social distancing measures and that this crisis will be the most serious for the labour market after World War II[7].

According to the worst-case scenario, analysed by Bloomberg, the economic effects could include recessions in the United States, in the Euro Area or in Japan, and also the lowest economic growth value ever recorded in China. As a total, the loss at the level of the World production could

amount to approximately 2.7 trillion dollars – the equivalent of the Gross Domestic Product of Great Britain[6].

The impact of the coronavirus pandemic was and is still strongly felt in the Romanian labour market. Most companies in the economy have furloughed their employees, and most employments are cancelled, postponed or frozen. Sorina Faier, managing partner in the executive searching company Elite Searchers, says that job requisitions have dropped by 60%, and approximately 40% of the agreements signed were frozen in this period[10].

By mid April 2020, in Romania, more than one million individual labour agreements had been suspended (furlough), and more than 200,000 agreements were terminated. Most employments were suspended, 324,087 in the processing industry, 198,588 were in the trade field as well as in the car and motorcycle repair field, while other 119,846 were at hotels and restaurants. Other 215,656 individual labour agreements were terminated, from which 41,197 in trade, and car repair, 37,152 in the processing industry, and 28,770 in constructions.

As at 30.03.2020, 498.8 thousand labour agreements were suspended, and 111.3 thousand agreements were terminated, as at 15.04. 2020 the highest number of labour agreements were suspended: 1046.5 thousand, while as at ...a number of 344.4 thousand concluded labour agreements were recorded.

As at 16.06.2020, the situation of the suspended individual labour agreements was as follows:

**Table no. 4 The situation of the suspended individual labour agreements
16.06.2020**

Total	Main categories
146.314	• Processing industry: 29,49
	• Hotels and restaurants: 33,754
	• Retail; car and motorcycle repair: 14,385

Source: www. mmunci.ro

The Horeca industry remains one of the industries that have been the most affected by the Covid-19 Pandemic, and its effects on it will be felt for a long time from now on.

In order to help companies, the Government is preparing aid measures for the recovery from the furlough: "In relation to the active employment measures, we will certainly resort to a tool for the people who were furloughed and who are resuming their work within the companies in which they have worked. Practically, we will Grant the payment of an amount, we have not decided how much yet, it depends on our resources, of 35 and 45%, as an active measure for the employees resuming work after their furlough", Orban announced at the meeting of the Tripartite National Council. These measures will be beneficial both for companies and for their employees, because their purpose is to save jobs and to help companies in these approaches.

As at 29 May, 2020, the Romanian Government adopted the first active measures dedicated to employees and employers in support of the resumption of the labour relationships.

The Government has decided that the employees who were furloughed due to the SARS-COV-2 pandemic and whose labour relationships are maintained after their employers' resumption of their business will be granted, for a period of three months, through their employers, the payment of 41.5% of their base salary corresponding to their job, but at most 41.5% of the average Gross yearly salary provided for by State Social Security Budget Law in 2020 no. 6/2020

In order to benefit from this measure, employers are required to maintain their employees' labour relationships until 31st December 2020, except for seasonal workers if the termination of the individual labour agreement is due to reasons that are not attributable to the employer.

Moreover, the measure is applied only in the case of persons with a length of the suspension of the individual labour agreement of at least 15 days during the emergency or alert state period.

The persons who have individual labour conventions concluded based on Law no. 1/2005 on the organisation and functioning of the cooperation, republished, as amended and supplemented, also benefit from the provisions of this new legislative act.

The settlement of the granted amounts is made within 10 days from the submission of the documents, by transfer in the accounts opened by employers with commercial banks, and only after verifying the fulfilment of the declaration and payment obligations in relation to the salaries for which the 41.5% percentage is paid.

Another active measure taken by the Government has consisted of stimulating the employment of people over 50 whose labour relationships have ceased due to reasons not attributable to them during the emergency or alert period who are registered in the records of the territorial employment agencies. More specifically, for each person in this category, employed for an indefinite period and full time, in the period period 1 June - 31 December 2020, employers receive, each month, for a period of 12 months, 50% of the employee's salary, but no more than 2,500 RON.

The Government has also decided that the same facility will also be granted to employers who employ, until the end of the year, for an indefinite period and full time, young people aged between 16 and 29.

The expenses borne from the social security budget for unemployment will be covered from European Funds, within the limit of the allocated amounts and in compliance with the applicable provisions and rules in granting funding, through the Ministry of European Funds.

In the two-month period of the state of emergency, the measures adopted for the benefit of employees and employers had a direct impact on 1,118,865 employees who received the furlough allowance granted upon the request of 129,149 employers.

Another aid measure is to keep the furlough in place after 1st June, but only for a few fields in which the restriction measures will be maintained. In relation to the other fields, for people who have been affected and benefited from furlough, and want to gradually or fully resume work, there will be an immediate support measure granting a percentage of the salary cost for their employers.

The European Commission has been concerned to alleviate the impact on employment since mid March 2020. Its objective has been to protect employees against unemployment and loss of income in order to avoid a permanent effect. In March, the Commission stated that it was prepared to support the Member States in this respect, promoting in particular short working hours, respectively refreshment and retraining programmes that proved to be effective in the past. At the same time, the Commission stated in March 2020 that it will accelerate the preparations of the legislative proposal concerning “An European unemployment reinsurance scheme”, with the purpose to support the policies of the Member States on maintaining jobs and skills. The de Corona Response Investment Initiative will help mobilize the European Social Fund, which fund is dedicated to support employees and medical assistance. The European Globalisation Adjustment Fund (EGAF) could also be mobilised to support workers that were laid off and self-employed people under the current and future Regulation[2].

IV. CONCLUSIONS

In the past year, the world faced a great challenge: an unprecedented health crisis that strongly affected even the countries with an advanced healthcare system, because the challenge was real. Any medical student knows that pandemics exist and can appear, but nobody could anticipate the magnitude of this pandemic caused by COVID-19. Predictably, the health crisis also triggered the economic crisis, the fields that were the most affected by the restrictions applied in

order to prevent the spread of the virus being: horeca, tourism and entertainment. Hope seems to come from vaccine producers who, through joint, unprecedented efforts, managed to release vaccines in record time. It remains to be seen how effective the vaccination campaign will be and whether the collective immunisation will take place.

In relation to the labour market trends in Romania, a recent survey carried out by eJobs among employees in Romania shows that the main expectations they have in 2021 are related to the resumption of salary increases, recruitments, and also reverting to the budgets they had before the outbreak of the pandemic. 12% believe that in the company they work for, work from home will become permanent, while 9% say that the next year will mark employees' return to the office[5]. “The companies that were able to find means to grow even in a generalized crisis context are optimistic about the next year and believe that there will be a rebalancing of the market. Nevertheless, there are also other participants to the survey who are afraid that 2021 will mean, for their companies, redundancies, pay cuts, or an increase in the employees' workloads, due to the fact that this year, part of the teams were downsized. Unfortunately, there are also employers who admit that they expect an increase in the voluntary fluctuation rate within their companies next year. In other words, being disappointed with what happened this year, many employees will search other jobs”, Bogdan Badea, CEO of eJobs România, said.

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